

Soviet Rift Delayed Summit

**Top Communist
Is Said to Attack
Gorbachev 'Cult'**

By Philip Taubman

MOSCOW — One of Mikhail S. Gorbachev's staunchest supporters questioned his leadership at a meeting of top Communist Party officials last week, igniting a political crisis that forced Mr. Gorbachev to postpone setting a date to meet President Ronald Reagan, according to Soviet officials.

Mr. Gorbachev has weathered the crisis, an official said Thursday, and feels secure enough to proceed with a summit conference by the end of the year to sign an agree-

Moscow said it has reached agreement with Washington on terms for a summit meeting late this year. Page 6.

ment eliminating intermediate-range missiles. Foreign Minister Eduard A. Shevardnadze is expected to fix a date during talks in Washington this weekend.

The officials said the crisis began when Boris N. Yeltsin, a nonvoting member of the Politburo and head of the powerful Moscow party organization, broke with Mr. Gorbachev on Oct. 21 in a dramatic, unscheduled speech at a full Central Committee meeting.

Mr. Yeltsin, who has been a passionate advocate of Mr. Gorbachev's effort to reshape Soviet society, stunned the Central Committee by charging that Mr. Gorbachev was developing a cult of personality that threatened to undermine his programs, the officials reported.

They said that Mr. Yeltsin told the committee members that he was resigning from his Moscow party post, frustrated by the slow pace of change in the capital region. He withdrew the threat several days later and will keep his job at least until after the 70th anniversary of the revolution on Nov. 7, one official said Thursday.

Mr. Yeltsin also criticized the party's number two leader, Yegor K. Ligachev, saying he lacked compassion, according to the officials. In heated discussion that followed Mr. Yeltsin's declaration, Mr. Ligachev accused him of being a poor manager and said he had warned that the Moscow party chief was unsuited for his job, one of the officials said.

Mr. Ligachev's remarks were seen as a slap at both Mr. Yeltsin and Mr. Gorbachev. The two top leaders have often appeared to be at odds in their public remarks. A number of other top party leaders reportedly rallied to Mr. Gorbachev.

Kiosk

Reagan Submits Saudi Arms Bill

WASHINGTON (AP) — The Reagan administration submitted a compromise bill to Congress on Thursday that would allow Saudi Arabia to buy \$1 billion worth of jet fighters and other military hardware.

The action had been anticipated since Oct. 9, when President Ronald Reagan agreed to eliminate Maverick, air-to-ground missiles worth \$360 million from the package to garner congressional support.



Franco Zeffirelli, directing "The Young Toscanini," discusses movies about music. Page 7.

GENERAL NEWS

■ Iraq manipulated the United States into attacking Iran in the Gulf, Defense Minister Yitzhak Rabin of Israel asserted. Page 2.

BUSINESS/FINANCE

■ The U.S. Federal Reserve is moving to avert a full-fledged panic following turmoil in the market. Page 17.

Dow close: UP 91.51
The dollar in New York:
DM £ Yen FF
1.7395 1.7125 138.75 5.8675



FRENCH GUARDS KILLED — Lebanese Forces militiamen warning reporters away from the area in East Beirut where two gendarmes from the French Embassy were shot to death Thursday. A third man was wounded in the attack, which was carried out by two gunmen in a speeding car while the guards were shopping. Page 6.

Bargain-Hunters Push Dow Up 91.51

NEW YORK — Wall Street rebounded strongly on Thursday as investors shrugged off a decline in the dollar and propelled the Dow Jones industrial average 91.51 points, or 5 percent, higher to 1,938.33 at the close. It was the third-biggest point gain in history for a single day.

All indexes were sharply higher, with advances leading declines 4-1 on the New York Stock Exchange. A total of 258.1 million shares changed hands on the exchange as investors apparently felt that the worst of this month's stock market crash was over. The volume was a drop from the 279.4 million shares traded on Wednesday.

Shares prices in London and Paris also improved after Wednesday's sell-off. (Page 11.)

In Asia, a sharp fall in the dollar sent shares tumbling on most markets. (Page 13.)

John J. Phelan Jr., chairman of the New York Stock Exchange, said U.S. stock markets were

getting back to normal after the record declines of the past two weeks.

In frantic trading this month, the Dow has fallen almost 900 points, with a 508-point plunge on Oct. 19, when it hit the year's low of 1,738.74.

"The system is intact," Mr. Phelan said. "The markets are trying to stabilize. Things are getting back to normal."

However, he echoed the words of many observers when he said, "The volatility will stay there for a while."

Wall Street analysts said the markets felt that Washington's efforts to find ways to cut the budget deficit and the recent fall in the dollar against other world currencies — which should aid U.S. trade performance — would be beneficial.

Thom Brown, an analyst with Butcher & Singer, said he believed the United States would avert the worst situations, such as hyperinflation and the issuing of new money, or a

depression with high unemployment and diving prices.

"We are moving on the path returning to responsible economic management," Mr. Brown said. "If we avoid something dumb such as protective trade barriers, the painful reorganization will be followed by a period of stable growth and prosperity."

With the crisis eased, he said, "The long-term trend of stock prices remains up."

The calmer mood encouraged cautious bargain-hunting early in the day, and then more aggressive buying raids by investors afraid of missing out on a major rally. But traders were hesitant about pushing values too much higher because of uncertainties linked to the economy and fear that institutions hurt by the collapse might quickly renew selling as prices rose.

The stock market's rise came amid a drop in the dollar, which has been falling hard on

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Dollar Steadies in N.Y. On Bank Intervention

**Top Officials
Speak Out
For Stability**

Compiled by Our Staff From Dispatches

NEW YORK — The dollar steadied Thursday in New York after central banks intervened massively to brake a four-day slide and leading monetary officials spoke out in favor of currency stability.

James A. Baker 3d, the U.S. Treasury secretary, declared that Washington would uphold a February accord in which leading industrialized nations pledged to seek currency stability.

And Finance Minister Edouard Balladur of France called for an emergency meeting of the seven nations on the financial crisis, arguing that a sharp decline in the dollar might rekindle U.S. inflation and lead to economic stagnation in Europe. (Page 17.)

The Federal Reserve, the Bank of Japan and European central banks made massive dollar purchases intermittently throughout the day after the dollar neared a postwar low by touching 137.40 yen in Tokyo. The intervention did little to brake the slide in Europe, where the dollar closed lower although above the day's nadir.

But the U.S. currency inched upward in New York to end at 138.75 yen, barely squeaking past Wednesday's close of 138.45.

After hitting a low of 1,720 Deutsche marks earlier in the day, the dollar also firmed to 1,739 DM from 1,738 DM Wednesday; to 5,867.5 French francs from 5,824.0, and to 1,438.5 Swiss francs from 1,434.5. It also gained ground against the British pound, which slipped to \$1.7125 from \$1.7240.

The dollar had slid dramatically Tuesday after a remark by Jacques Delors, president of the European Community's executive body, that the United States was willing to allow the dollar to fall to 1.60 DM.

The currency's recovery was attributed largely to Mr. Baker's remarks affirming the so-called Louvre pact on currency stability and public pleas by foreign monetary officials for the United States to trim its trade and budget deficits.

Finance Minister Kiichi



Jacques Delors, president of the EC's executive body.

West Rebukes Delors After a Costly Gaffe

By Reginald Dale

International Herald Tribune

PARIS — The European Commission, the European Community's executive body, was obliged to conduct an embarrassing international face-saving exercise Thursday after a gaffe by its president, Jacques Delors of France, pushed the dollar sharply downward on the New York currency market on Wednesday.

Mr. Delors was publicly rebuked by the U.S. French and West German governments for telling the European Parliament in Strasbourg that the U.S. authorities were ready for the dollar to drop to

1.60 Deutsche marks — well below its current rate of about 1.73 DM.

Subsequent attempts by the commission to change the record of what he had said caused anger in Strasbourg, where Lord Plumb of Britain, the European Parliament's president, ordered that Mr. Delors's exact words be printed in the official version of the proceedings.

Mr. Delors's original unguarded remark reached New York just as the U.S. Federal Reserve Board was endeavoring to stem the dollar's fall against the mark in a joint intervention effort with the central banks of Western Europe and Japan.

Dealers said that Mr. Delors's comment contributed to a downward spiral of the dollar, which lost nearly 2 percent by the close of Wednesday's New York trading. An angry denial of his assertion by the U.S. Treasury failed to recoup the loss.

In Bonn on Thursday, the West German Finance Ministry stated stiffly that Mr. Delors had painted an entirely incorrect picture of international monetary cooperation.

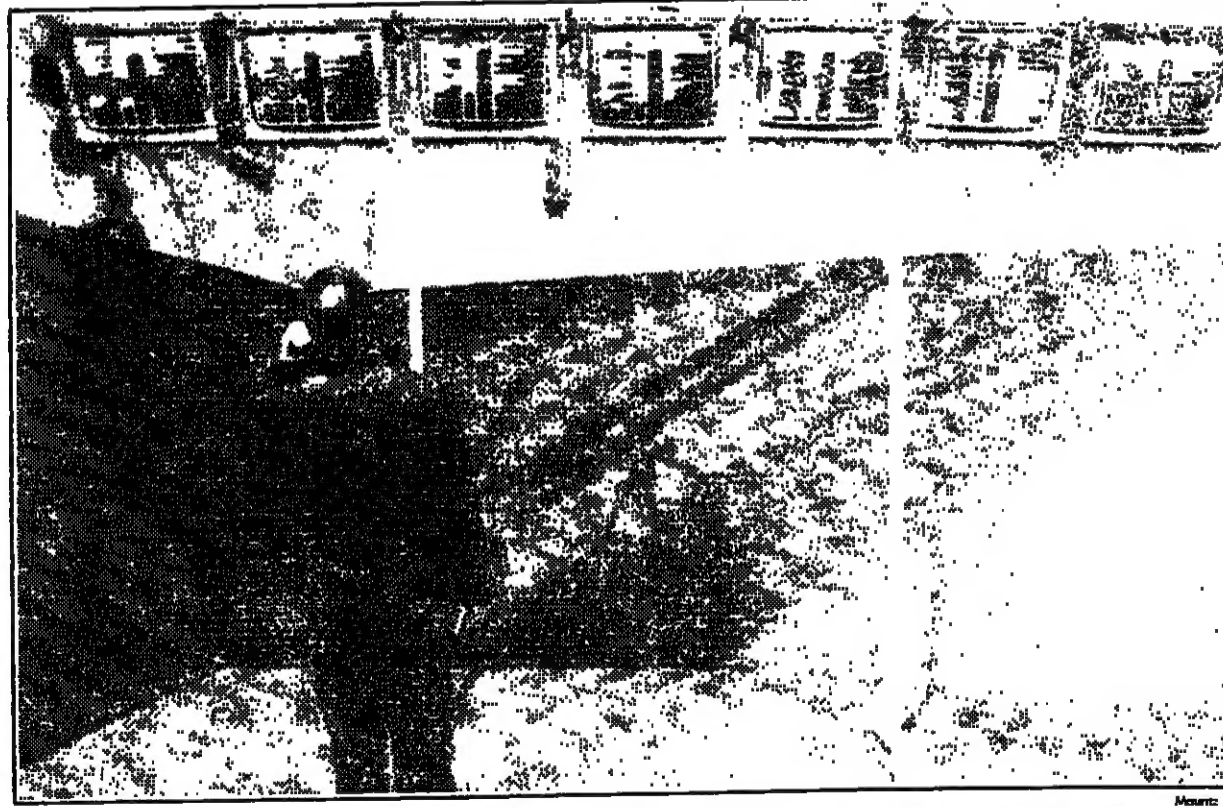
In Paris, Mr. Delors was publicly snubbed by the French Finance Ministry, the department he himself headed for three years before taking up his current post in Brussels in January 1985.

The ministry said Mr. Delors's remark "in no way reflects the position of the French monetary authorities or those of the other participants in the Louvre accord," the seven-nation exchange rate and economic cooperation pact adopted in Paris in February.

While commission officials worked hard to get him off the hook Thursday, Mr. Delors himself tried to limit the damage by saying that his comments were being "exaggerated" and taken out of context. An exchange rate of around 1.80 DM to the dollar was "acceptable and tolerable," he said.

Commission officials said that his remarks had been hypothetical.

See DELORS, Page 17



A trader at the Frankfurt Bourse talked by telephone Thursday as he watched monitors showing falling stock prices.

China to Reduce Planning and Add Zones

By Daniel Southard

Washington Post Service

BEIJING — China's reformist leaders announced on Thursday that they would reduce Soviet-style central planning and forcefully expand the nation's opening to the outside world by creating new special economic zones.

The announcements gave a clear signal that the reformists have won a battle over conservative leaders.

Prime Minister Zhao Ziyang declared that in two to three years, only about 30 percent of the country's economy will be controlled through central planning, the official Xinhua news agency said.

Experts said that this was the first time any top Chinese leader had given such a specific target for reductions in central planning.

Xinhua said Mr. Zhao made the disclosure at a meeting Thursday with Arthur Dunkel, director general of the General Agreement on Tariffs and Trade. China has applied to join the GATT but its application has been hindered by its continuing barriers to free trade.

part of an effort to make China more attractive to high-technology investors.

At a press conference, meanwhile, Gu Mu, a state councillor, said that Hainan island, off the coast far to the south, will become a special economic zone. It will serve as a laboratory for experiments with several forms of international trade and investment which China so far has avoided, including unrestricted sales of land on the island and other elements of a capitalist system.

The ownership of land is a sensitive issue in Communist countries. Officials insist that land throughout China is still state-owned, despite the fact that peasants now have the use of their land for up to 15-year periods.

Mr. Gu said that a proposal has been made to turn two large peninsulas in the north — the Liaoning and Shandong peninsulas — into areas more open to foreign trade and investment.

His press conference was held in connection with the ongoing Communist Party congress. It gave a clear signal that reformist leaders have won a battle over "conservative" leaders who have wanted to limit the expansion of special economic zones. The existing four zones offer tax breaks and less government interference to foreign investors. The four — Shenzhen, Zhuhai, Xiamen and Shantou — lie on China's southeast coast. All have had problems.

Hainan, an undeveloped tropical island slightly smaller than Taiwan, would become by far the largest of the special zones.

On the political front, Mr. Gu indicated that he had been persuaded that Deng Xiaoping, China's senior leader, should step down from the party's ruling Politburo — a strong indication that Mr. Deng will indeed step down.

Mr. Gu, almost certainly, would not have made this statement unless he was fairly sure that he was conforming both to the party consensus and to Mr. Deng's wishes. Mr. Deng is expected to retain great influence by continuing on as chairman of the party's military commission.

On Wednesday, several provincial officials at the congress had said Mr. Deng was being pressed by many other party leaders to reverse his announced intention to retire from the Politburo.

The revelation injected uncertainty into Mr. Deng's attempts to engineer a smooth transition of power from older leaders like himself to younger officials.

Western diplomats said that if Mr. Deng, 83, were unable to retire from the Politburo, it would indicate that the leadership was torn by conflicts over the succession issue and that Mr. Deng's strong presence at the top was still required to arbitrate disputes.

It would also reveal a lack of confidence in the ability of Prime Minister Zhao, who is expected to take over as party general secretary at the end of the current congress.



Judge Douglas H. Ginsburg of the District of Columbia Circuit Court, who was nominated Thursday.

Reagan Makes Selection For Supreme Court Seat

Compiled by Our Staff From Dispatches

WASHINGTON — President Ronald Reagan said Thursday that he would nominate Judge Douglas H. Ginsburg, 41, a conservative federal appeals court judge, for the Supreme Court seat that Judge Robert H. Bork was denied in a bitter confirmation battle.

Judge Ginsburg, a surprise choice given his youth and only one year of experience as a judge, was seen as the favorite of Attorney General Edwin Meese 3d.

Conservatives in the administration and in the Senate had been pushing for Judge Ginsburg. The judge, formerly a Harvard Law School antitrust expert, served briefly as assistant attorney general in charge of antitrust policy before being put on the appeals court late last year.

Judge Ginsburg also served as law clerk to Justice Thurgood Marshall, the only black on the Supreme Court and one of its most liberal members.

It confirmed by the Senate. Judge Ginsburg would replace Justice Lewis F. Powell Jr., a critical swing vote, who retired last June, leaving a vacancy the president tried to fill by naming Judge Bork, who was defeated by the Senate by a 58-42 vote last week.

The appointment is one of the most important in Mr. Reagan's remaining 14 months in office. Because Judge Ginsburg is young and because members of the Supreme Court are appointed for life, the new nominee could shape the decisions of the nation's highest court for years to come.

The Supreme Court has been operating with only eight justices, one short, since Justice Powell's departure, retired in June.

Since then the justices have been deadlocked between liberal and conservative factions on a number of important social issues.

Judge Ginsburg would be the youngest justice since William O. Douglas joined the court in 1939. Justice Douglas was 40 when he was named to the court.

Judge Ginsburg would also be

See COURT, Page 6

Rabin Says U.S. Was Manipulated by Iraq in Gulf

By Glenn Frankel
Washington Post Service

JERUSALEM — Defense Minister Yitzhak Rabin has asserted that the United States was manipulated by Iraq into attacking Iran in the Gulf War, and he indicated that Israel had not changed its longstanding tilt toward Iran.

While denying that he was directly criticizing U.S. policy in the Gulf, Mr. Rabin contrasted U.S.

involvement on the side of Iraq with the policy of the Soviet Union, which he said had "become the only superpower that can talk to both parties in the war, while the United States cannot."

[Charles E. Redman, a State Department spokesman, said that if Mr. Rabin had been quoted accurately, "we would certainly disagree with his assessment." Reuters reported from Washington.]

Mr. Rabin's comments, made

Wednesday in English at a press conference, marked the first time that a senior Israeli official has publicly criticized the U.S. role in the Gulf War.

They reflected the longtime hostility between Israel and Iraq, a hostility that led Israel to sell arms secretly to Tehran and to propose to Washington the weapons-for-hostages exchange that led to the wider Iran-contra affair.

Mr. Rabin also said that his gov-

ernment would resist any attempt by the United States to cut its military aid to Israel as part of efforts to reduce the U.S. budget deficit. He said that Israel would hold the Reagan administration to its pledge to supply the full \$1.8 billion for each of the next two years.

The issue became emotional this week after the Israeli press reported estimates by the U.S. Office of Management and Budget that Israel might lose up to \$140 million in

military and economic assistance under the Gramm-Rudman-Hollings Act — a prospect that Israeli leaders have heatedly denounced.

Mr. Rabin said that Baghdad had succeeded in "globalizing the tanker war" by attacking Iranian oil storage installations and ships and goading Tehran into retaliating against civilian oil tankers. The result was the involvement of U.S. and European naval vessels in the conflict, he said.

"None of those fleets that came to the Persian Gulf protect the Iranian right of free navigation, which is under attack by the Iraqis," said Mr. Rabin. "They protect only the right to navigation of Kuwait, Saudi Arabia and the oil princes on the western side of the Gulf."

Israel has long favored Iran, a policy that dates to the early days of the Jewish state when Prime Minister David Ben-Gurion advocated support for non-Arab nations on the periphery of the Middle East as a counterbalance to Israel's hostile Arab neighbors. The hostility toward Israel shown by Ayatollah Ruhollah Khomeini has led some to argue that the policy should be scrapped.

Mr. Rabin made it clear, however, that Israel's defense establishment still favored Iran and saw the Gulf War as a blessing for Israel. For one thing, he said, the war had removed Iraq, which has sent troops to most Arab-Israeli conflicts, as a factor.



Tunku Abdul Rahman, Malaysia's first prime minister, condemned recent arrests Wednesday.

Malaysia Arrests Increase to 79

Reuters

KUALA LUMPUR, Malaysia — Police said they had detained another 16 people Thursday, bringing to 79 the number held in what officials say is an attempt to reduce tension between Malays and Chinese.

Tunku Abdul Rahman, the country's first prime minister who is revered as an elder statesman, strongly condemned the arrests. "Malaysia is on the way to dictatorship," he said. Tunku, who became prime minister after independence in 1957, said Thursday.

WORLD BRIEFS

India Uses Helicopters Against Tamils

NEW DELHI (Reuters) — India said Thursday that it had launched its first aerial strafing attack against Tamil rebels in northern Sri Lanka and killed 27 of them, but a journalist in the area said many of the dead were civilians.

A government spokesman said that all who died were Liberation Tigers of Tamil Eelam militants, killed when helicopters strafed their Chavakachcheri stronghold, east of Jaffna.

However, a journalist working for the Calcutta-based Telegraph newspaper reported that at least 20 civilians were killed when the gunships poured rocket and machine-gun fire into the town's central market, bus station and nearby houses. The reporter, Sumir Lal, said that when he reached the town on the edge of Jaffna Lagoon on Wednesday he found part of the market ablaze and counted 15 dead among the ruins. There were more dead in the local hospital.

Kim Dae Jung Is Forming New Party

SEOUL (AP) — Kim Dae Jung pressed ahead Thursday with the formation of a new political party to support his bid as the second opposition candidate for president.

Mr. Kim met with aides and supporters to discuss plans for the party, tentatively named the Democratic Peace Party. He was an adviser to the main opposition Renminmin Democratic Party before splitting with his rival, Kim Young Sam, who has also declared his candidacy.

President Chun Doo Hwan approved a new constitution Thursday that provides for direct presidential elections. Voters overwhelmingly supported the document in a national referendum Tuesday. Korean newspapers reported that the government would set Dec. 15 as the date for the nation's first direct presidential elections in 16 years.

Toxic Gas Injures 24 in French City

NANTES, France (Reuters) — Fifty thousand people were evacuated from their homes and 24 suffered slight injuries when a cloud of highly toxic gas was released into the skies of western France on Thursday, local officials said.

Officials in this western port city said a gas formed from burning ammonium nitrate poured into the atmosphere after fire broke out in a silo containing the fertilizer. Fire officials said the fire had been brought under control before nightfall.

They said a cloud of gas nine miles (15 kilometers) long by two miles wide was drifting west of the city towards the coast. Interior Minister Charles Pasqua said in Paris that 24 people had been treated for injuries after the gas escape. He added that the gas was likely to cause pollution of the Loire River.

New Caledonia Court Acquits Loyalists

NOUMEA, New Caledonia (Reuters) — Seven pro-French loyalists on trial for shooting 10 Kanak separatists to death in 1984 were freed Thursday after the jury ruled that they had acted in self defense.

Separatists from the Melanesian Kanak community, campaigning for the Pacific island's independence from France, immediately denounced the acquittal. "Kanak can now be gunned down like dogs," said Jean-Marie Tjibaou, the leader of the Kanak Socialist National Liberation Front, who lost two brothers in the shooting.

The seven were charged with premeditated murder and organizing an ambush near the isolated locality of Hienghène in December 1984, when a violent separatist campaign against European settlers was at its height.

Israel Closes Bethlehem University

JERUSALEM (Reuters) — Israeli authorities on Thursday ordered Bethlehem University to be closed for three months after noting by Palestinian students, an Israeli Army spokeswoman said.

A 22-year-old male student was in a critical condition after being shot in the head by troops during disturbances at the school on the occupied West Bank on Wednesday. A girl student was also shot in the leg and gasoline bombs were thrown at soldiers.

Military authorities and Palestinian sources said there were several violent incidents in the West Bank and Gaza Strip on Thursday but there were no reports of injuries or arrests.

For the Record

Sixteen Iranians on a Moscow-bound Aeroflot flight from Cuba refused on Thursday to get back on the plane after a refueling stop at Shannon Airport and asked Ireland for political asylum, the authorities said. (UPI)

The European Parliament condemned Thursday the remark by Jean-Marie Le Pen, leader of the French National Front, that the Nazi gas chambers were only a detail in the history of World War II. The rightist leader made the remark in an interview on Sept. 13. (Reuters)

Austria's ruling Socialist Party on Thursday rejected by a 2-1 vote a resolution calling for President Kurt Waldheim to resign for the good of the country because of the controversy over his war record. (Reuters)

TRAVEL UPDATE

Senate Clears Airline-Smoking Curb

WASHINGTON (AP) — The Senate gave preliminary approval Thursday to a ban on cigarette smoking on domestic airline flights scheduled to last 90 minutes or less. The prohibition would cover more than half of all U.S. routes for an initial two-year period.

The wording of the prohibition is a change from the original version, which would have affected flights of up to two hours and lasted for three years. But those terms were opposed by senators from southern tobacco-growing states, and the new wording was reached after several hours of closed negotiations.

More than 30 health and consumer groups, joined by unions representing flight attendants, have lobbied for the measure. On the other side, the tobacco and airline industries, joined by the airline pilots' union, want to block it. The pilots believe that with a ban in effect, smokers would light up secretly in airliner bathrooms, where there is a high risk of fire.

Protests Delay Italian Train Service

ROME (Reuters) — Italian travelers, who have already suffered this week from a series of air strikes, faced long delays at railway stations on Thursday because of a stoppage by train guards.

Only 10 percent of trains were running due to the 24-hour unofficial strike by the guards, protesting over pay and working conditions, railroad officials said.

Unofficial groups have also organized themselves among airline ground staff, staging occasional stoppages this week, which delayed Alitalia flights. Most flights in and out of Milan will be canceled Friday due to an official strike by ground staff.

Dutch police on Thursday started towing away trawlers being used by fishermen to blockade Amsterdam port in a protest over a government ban on cod fishing, a police spokesman said. (Reuters)

Locust Alert Is Declared In 2 Spanish Provinces

Reuters

MURCIA, Spain — A cloud of locusts from Algeria is threatening fruit- and vegetable-growing areas in southern Spain, regional officials said Thursday.

Farmers were placed on alert in Murcia and Almeria provinces, and planes were standing by to spray chemicals.

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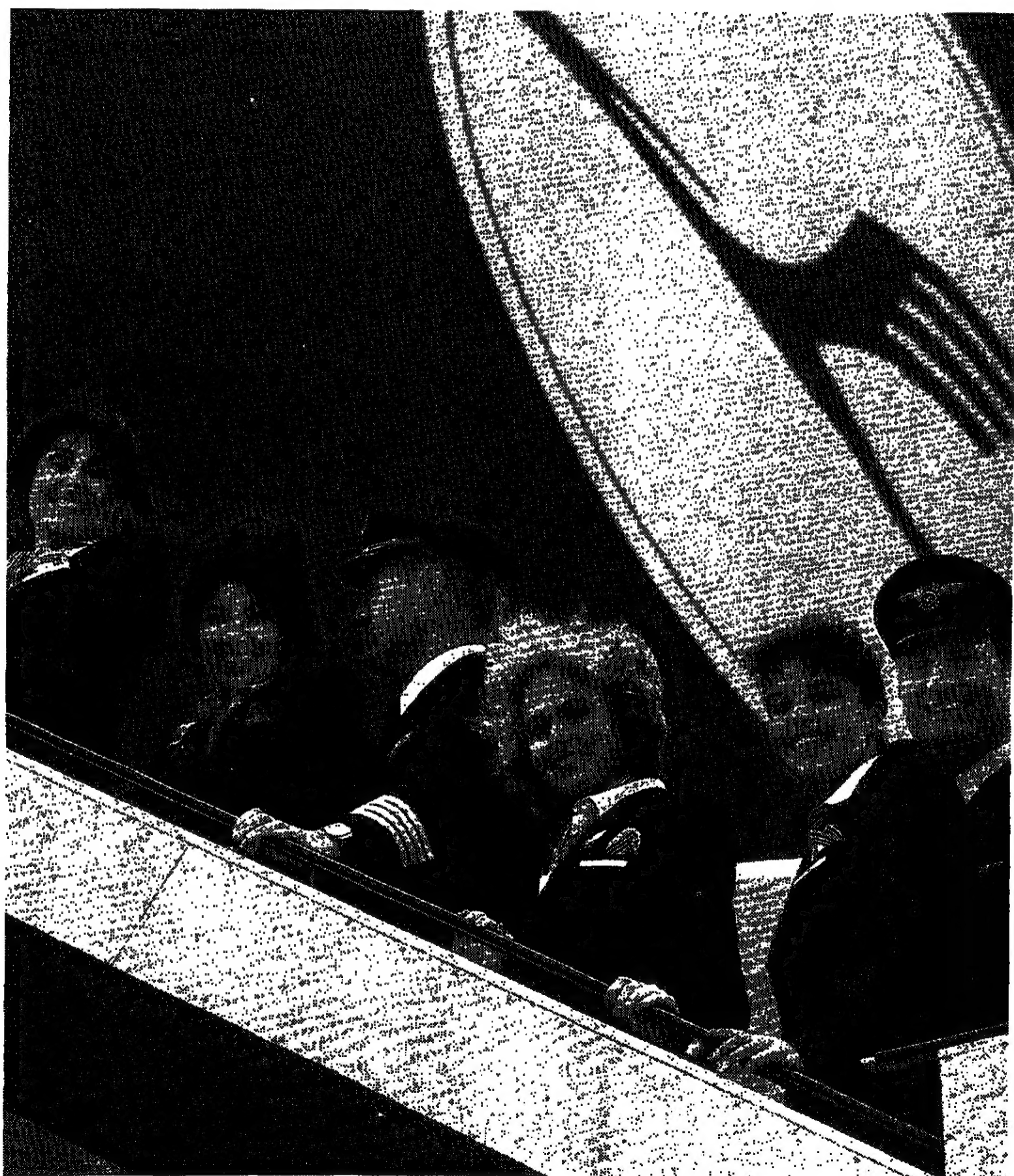
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House Rejects Deficit Measure, Hoping for Successful Talks

WASHINGTON — The House rejected a deficit-reduction package for fiscal 1988 centered on a \$12-billion tax increase.

The 217-203 vote reflected sentiment that Congress should rely on negotiations between its leaders and the White House to produce a deficit-reduction plan.

The vote also indicated considerable opposition to a big welfare-reform package that is attached to the deficit-cutting bill, and it showed that many lawmakers would prefer to avoid a tax increase.

Every Republican voted against the bill.

Representative Jim Wright of Texas, the speaker of the House, said the House Rules Committee would meet later Thursday and strip off the welfare provision. That could result in another vote on the deficit package on Friday.

The vote came after Mr. Wright called the Democratic package one that was fairer than any alternative likely to emerge from negotiations with the White House.

"The problem is not going to go away," Mr. Wright said. "The longer we delay, the bigger it gets."

"What the members have attempted to express here is 'Give this bipartisan negotiating team a chance,'" the House Republican leader, Robert H. Michel of Illinois, said after the vote.

Mr. Wright acknowledged that 25 to 30 members of his party also objected to making the welfare part of the deficit-reduction bill.

The \$23 billion deficit reduction goal for fiscal 1988, which began

Oct. 1, was set by the revised balanced-budget law signed by President Ronald Reagan last month. Many negotiators said they hope to exceed that target with extra steps to shrink the deficit.

Without action on the deficit, various estimates say, the deficit will reach \$163 billion to \$179 billion in fiscal 1988. Many economists say the deficit is one cause of the stock market plunge.

The law specifies that if Congress and the president do not agree on a plan to trim \$23 billion from the deficit by cutting certain programs and raising revenues, then the reductions will be implemented in the form of automatic spending cuts in many budget accounts.

They would fall most heavily on defense and some social programs that already have been cut deeply.

At the White House, Mr. Reagan met with his top economic advisers on the deficit-cutting negotiations, telling them, "It sounds like you're talking about the right issues."

And the chief presidential spokesman, Martin Fitzwater, said that Mr. Reagan's aides were satisfied with the progress of negotiations with Capitol Hill.

Earlier, Mr. Wright had said passage of the bill by the Democratic-controlled body would enhance prospects of reaching agreement with the White House on a complete plan of deficit cuts.

But Republican leaders had insisted that a vote to raise taxes, even while congressional and White House negotiators were meeting, could torpedo that effort.

"It's nothing but a tax increase," Representative Trent Lott of Mississippi, the assistant Republican leader, said of the Democrats' bill.

"Ninety percent of the alleged spending savings are not there," he said. "The American people are not going to take this one sitting down."

"I'm a little more optimistic," said Senator Pete V. Domenici, Republican of New Mexico, the ranking Republican on the Senate Budget Committee and one of 14 members of the congressional negotiating team. "We've made some progress, but we're a long way from a conclusion."

Mr. Reagan, meanwhile, was briefed on the negotiations between the White House and lawmakers on the deficit-cutting efforts by his chief of staff, Howard H. Baker Jr., Treasury Secretary James A. Baker 3d, James C. Miller 3d, the director of the Office of Management and Budget, and the national security adviser, Frank C. Carlucci.

Asked what the "right issues" were, James Baker said, "getting some spending cuts."

Most of the new revenue in the House bill would come from corporations and upper-income individuals. Telephone users would have to continue paying a 3-percent excise tax, which otherwise expires at the end of the year.

Separately, the House Appropriations Committee approved a bill Thursday to keep the government operating at current levels through Nov. 20, a 10-day extension needed because Congress still has failed to pass any of the regular fiscal 1988 spending bills.

Government agencies have been operating since the fiscal year that began Oct. 1 at last year's levels under earlier legislation, which expires Nov. 10.

Brock Urges Congress to Reject Trade Restrictions

By Kenneth B. Noble
New York Times Service

MIAMI BEACH, Florida — Labor Secretary William E. Brock 3d has urged congressional leaders to abandon efforts on a restrictive trade bill, predicting that passage of the measure would cause "rampant panic" in the world's financial markets.

"I think it would scare people to death if we passed something like that," Mr. Brock said Wednesday at a news conference after he addressed delegates to the biennial convention of the American Federation of Labor and Congress of Industrial Organizations.

The labor secretary's remarks were the first by a Reagan administration official linking the tumult in the markets with the suggestion that the trade bill be withdrawn. Only last week, Clayton K. Ventur, the U.S. trade representative, signaled the administration's interest in working out a compromise on trade legislation.

But Mr. Brock, who also served as the administration's trade representative before becoming labor secretary, indicated that the administration was now adamantly opposed to the bill, calling it "really bad" and "dangerous."

"The thought that we would run the risk of a major attack on the world trading system at a time when the world is as tumultuous, as dangerous, as it is at the moment, is irrational," Mr. Brock said.

Mr. Brock, who has resigned as labor secretary, effective Friday, to become manager of Senator Bob Dole's presidential campaign, added, "We ought to draw back from any step that would further destabilize the world system, financial and economic."

"I think Brock's statement is an outrageous one," Lloyd Bentsen, Democrat of Texas and chairman of the Senate Finance Committee, said in Washington. "He has been against the bill from the beginning, and he has seized on the stock market crisis to malign it."

A spokesman for the office of the U.S. trade representative, said that the administration continued to support "responsible trade legislation" and would work with Congress to achieve it while continuing to oppose protectionist measures.

Mr. Brock's remarks surprised and perplexed labor leaders.

The labor federation's chief lobbyist, Robert McGlothen, said Mr. Brock's remarks about the trade bill "don't make sense."

"It's ironic that the lame duck secretary says they ought to pull the bill," he said. "It's the policy of the Reagan administration and its labor secretary that caused the massive panic in the financial markets in the first place."



The six Republican presidential contenders posing after their first televised debate. From left, Alexander M. Haig Jr., Vice President George Bush, Pierre S. du Pont 4th, Representative Jack F. Kemp, Senator Bob Dole and Pat Robertson.

Arms Issue Enlivens Republican Debate

By David S. Broder
and David Hoffman
Washington Post Service

HOUSTON — Vice President George Bush came under attack from his Republican rivals in the opening debate of the party's presidential campaign, where he stood alone as a defender of the proposed U.S.-Soviet treaty on intermediate-range missiles.

The debate Wednesday night erupted in a sharp exchange over the arms treaty when former Secretary of State Alexander M. Haig Jr. lashed out at Mr. Bush with, "I never heard a wimp out of you" about the treaty when they were cabinet colleagues in 1982.

And direct attacks on Mr. Bush by the former governor of Delaware, Pierre S. du Pont 4th, were met with boos from the audience.

The Senate minority leader, Bob Dole of Kansas, who is considered Mr. Bush's chief rival for the nomination, also was a target of criticism, but he sought to play the role of peacemaker, throwing in quips whenever the debate got tense.

Mr. Bush is considered the clear Republican front-runner in the race. The debate was especially critical for the four candidates who trail since it was their first opportunity to appear as equals to Mr. Bush and Mr. Dole before a television audience, which was estimated at 10 million people.

Representative Jack F. Kemp, Republican of New York, and Pat Robertson, the former television evangelist, stressed their conservative agendas while Mr. Dole and Mr. Bush emphasized their experience and leadership roles.

The topics of arms control and the stock market collapse dominated the two-hour confrontation, which was carried on the "Firing Line" program. The host, William F. Buckley Jr., was joined by the former Democratic National Committee chairman Robert S. Strauss in questioning the six Republicans.

The debate came to life when Mr. Buckley asked about the prospective treaty on medium- and shorter-range weapons, and Mr. Bush found himself the only all-out defender of it.

Mr. Haig, Mr. Kemp, Mr. Robertson and Mr. du Pont expressed strong disagreement with the pact. They said it would increase the risk of conventional war in Europe and let Moscow escape responsibility for what they asserted were past violations of treaties.

Mr. Bush said every European leader he had met on his recent European trip supported the treaty, as do, he asserted, most Americans.

Addressing Mr. Kemp, Mr. Bush said, "Our president has stayed firm with the Soviets. And for the first time we are getting rid of an entire generation of nuclear weapons. And that's good for my grandchildren and for the whole world."

That was not the end of it, however. On the next question Mr. du Pont turned back to the INF pact and said Mr. Bush's answer "illustrates the concern many feel about where you would lead America."

"We're waiting for details, and we're hearing generalities," he said.

Mr. du Pont was booed by some in the audience, and Mr. Bush said, "Pierre, let me help you."

Then he ripped into Mr. du Pont's proposal that young people be offered incentives for establishing private retirement accounts as an alternative to Social Security, saying, "It's a nutty idea to fool around with Social Security. It's a new idea, but it's a dumb idea."

When Mr. Bush reiterated that Europeans support the INF treaty, Mr. Haig said, "I've just come back from Europe, too, and they are unsettled by this treaty." Mr. Haig said the proposal supported resulted from "arm-twisting" by the Reagan administration.

Mr. Bush broke in to say, "AL you supported this in 1982."

Mr. Haig, saying he had argued against the proposal when it was being discussed in cabinet meetings, turned to Mr. Bush and said, "I never heard a wimp out of you, George."

Decorum was restored in the next round when all the candidates except Mr. Haig expressed strong support for the Strategic Defense Initiative and vowed to push it ahead.

Mr. Haig questioned the others' criticism of reliance on nuclear deterrence, declaring "pie in the sky" alternatives.

Questioned by Mr. Strauss about the stock market's dive and the budget negotiations under way, Mr. Bush insisted twice that he would not raise taxes, despite Mr. Reagan's recent comments that he would consider a tax increase as part of a deficit-cutting package.

His promise was echoed by Mr. Robertson and Mr. Kemp, but Mr. Dole emphasized his role in fashioning a compromise.

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A Startling Puff of Ancient Air

50% Higher Oxygen Level Detected in Dinosaur Era

By James Gleick
New York Times Service

PHOENIX, Arizona — Tiny bubbles trapped in amber for 80 million years have given scientists their first direct look at the Earth's atmosphere in the time of the dinosaurs, and the mix of gases appears to have been dramatically different from the air we breathe today.

A preliminary analysis suggests that the ancient atmosphere may have been 50 percent richer in the oxygen that sustains the animal life of the planet.

That finding, presented Thursday at the annual meeting of the Geological Society of America, is sure to astonish experts on global climate and the evolution of life. They had assumed that the air in that epoch differed little from today's.

If confirmed, the discovery of a more oxygen-rich atmosphere would influence the debate about a wide range of problems, from the history of climatic change to the birth and extinction of species.

Until now, the oldest known samples of air were far younger, the product of a 160,000-year-old core of polar ice that was painstakingly drawn over the last five years from its resting place a mile below the surface of Antarctica.

But by crushing bits of amber and analyzing the faint breath of gas that escapes, researchers appear to have opened an unexpected new window onto the history of the atmosphere and the creatures it has nourished.

As the technique is refined, the researchers, Robert A. Berner of Yale University and Gary P. Lindsley of the U.S. Geological Survey in Denver, hope through the study of other amber samples to assemble a detailed picture going back even further.

Microscopic air bubbles are not unusual in amber, the resin from pine trees that has hardened into yellowish, translucent lumps. Some amber has been preserved for 300 million to 300 million years.

"It's very exciting," said James C.G. Walker of the University of Michigan, an authority on the development of the Earth's atmosphere and oceans. "I think it's a tremendously promising technique."

The researchers emphasize that their analysis is still tentative, particularly the surprising

discovery of a higher level of oxygen.

But they believe that they have ruled out every possible alternative and that the amber bubbles reflect the composition of ancient air, folded into resin that oozed from trees in the Cretaceous period.

Oxygen now makes up 21 percent of the atmosphere; the rest is mainly nitrogen, with a fraction of a percent of carbon dioxide and traces of many other gases.

The Cretaceous amber, found in northern Manitoba, suggests an oxygen content as high as 32 percent. The rest of the air was mainly nitrogen, as in the atmosphere today.

"No one's ever thought about the possibility that oxygen could change so dramatically," Mr. Berner said.

"No one's ever thought about the possibility that oxygen could change so dramatically."

—Robert Berner,
an atmospheric
researcher

Undiplomatic Attitudes at State Dept.

'Cut Things, Not People,' Budget-Beset Employees Urge

By John M. Goshko
Washington Post Service

WASHINGTON — The State Department's plan to cope with budget restrictions by eliminating about 1,270 jobs has sent morale plummeting and is causing angry demands from department employees that the Reagan administration "cut things, not people."

This has been the most frequently heard phrase at the department since early this month, when details unfolded as to how the department intends to absorb an \$84 million shortfall in the operating budget that it expects to receive from Congress for fiscal 1988.

Secretary of State George P. Shultz announced Sept. 18 that considerable belt-tightening would be required, but he was vague and did not say that large-scale firings and forced retirements were being planned.

According to department officials, the realization that the State Department plans to eliminate about 8 percent of its 15,800 Foreign Service and Civil Service personnel has caused the biggest blow to morale since the late 1940s and early 1950s, when many of its employees were targets of anti-communist witch hunts.

Now, staff meetings, incoming

cables and corridor conversations echo with bitter complaints that the department is sacrificing its only real asset — the talents of its people — in a way that will make it incapable of properly performing many of its assigned foreign policy functions.

In a recent cable to embassies, Ronald L. Spiers, undersecretary of state for management, sought to address that point, noting that the department has dealt with shrinking appropriations since 1986 by "reducing expenditures for things such as equipment, supplies and vehicles." But, he added, "We have reached a point where such 'thinning-the-soup' measures will no longer suffice."

Such explanations have not stilled complaints that many expensive programs and equipment acquisitions have been spared from cuts because they are pet projects of Congress or of the department's top management.

Among rank-and-file diplomats and other employees, there seems to be almost universal agreement that if the department wants to make meaningful budget cuts, it should postpone plans for improving security at overseas embassies through a massive rebuilding program, erecting a new campus for the Foreign Service Institute in

northern Virginia, replacing its computers with newer models and acquiring an official residence for the secretary of state.

Fueling this attitude is anger over what many employees believe was the excessive secrecy and lack of consultation with which the master plan for cutbacks was drafted under the guidance of Deputy Secretary John C. Whitehead and three other senior department officials.

The result, as a senior official said privately, "was about what you would expect from a group of accountants and systems analysts who are adept at numbers crunching but who don't understand the realities of what the State Department is supposed to do and what it needs and doesn't need to do it."

"Most people here are so fed up with being kicked around that if the department were to make its planned early-retirement offer available to everyone, almost the entire building would be disposed to accept," said Evangeline Monroe, vice president of the American Foreign Service Association.

"But," she added, "when people stop and think, they realize that even that isn't an agreeable way out, because in most cases the anxiety isn't enough to live on."

U.S. Peace Activist Is Freed After Fast

United Press International

NEW LONDON, Connecticut — A peace activist who refused to give his name after his arrest at an anti-war demonstration has been released from jail following a 50-day hunger strike.

The man, known officially as John Doe 3, was released Wednesday after being given a sentence of 10 days in jail for refusing to give his name after his arrest on Sept. 7 during a protest at the Seabrook nuclear power plant. Although he refused to identify himself, prosecutors in New London Superior Court said he was Charles Ewing, 56, of Harrington, Maine.

Mr. Ewing said he had lost 25 pounds (11 kilograms) during his liquids-only fast. He said he had only ended it so that he could regain strength to continue his fight for peace. Mr. Ewing, who said he had been arrested about 18 times for anti-war demonstrations, is awaiting trial on a criminal trespass charge, prosecutors said.

Vatican Synod in Sharp Disagreement Over Independence of Lay Movements

By Roberto Suro
New York Times Service

ROME — The rapidly growing strength of independent lay movements in the Roman Catholic Church has provoked sharp disagreements at the Synod of Bishops now meeting at the Vatican.

Several church leaders have risen in the synod to demand that lay movements subject themselves to the authority of local bishops. In response, leaders of some major lay organizations have argued that their liberty must be respected by the hierarchy.

Some participants in the debate have said the church faces a historic challenge in adapting its structures to the religious movements that have developed around the world in recent years. In parts of Europe and Latin America, the growth of lay movements has caused both a realignment of forces in the church and a change in the ways the church influences secular politics.

Monsignor Alvaro del Portillo, the prelate of Opus Dei, a lay organization with considerable influence in the Vatican, said in an interview that the flourishing of lay movements represented "the response of the Holy Spirit" to a

crisis that struck the church after the Second Vatican Council.

Archbishop Rembert G. Weakland of Milwaukee said the synod was debating issues similar to those faced by the church in crucial periods like the Middle Ages and the Counter-Reformation, when new types of relationships had to be negotiated between the hierarchy and emerging clerical orders.

The synod, an advisory body with 232 participants, is due to conclude its monthlong deliberations Saturday and is expected to give Pope John Paul II recommendations involving the role of lay people in the church.

The new lay movements vary in their purposes and practices, although most have developed apart from regular church structures. For instance, Opus Dei, with 76,000 members worldwide, emphasizes intense training in Catholic doctrine and has its own priests, churches and schools.

Different issues are raised by "base communities," neighborhood organizations that have developed in the slums of many Latin American cities. These communi-

ties practice economic and political self-help along with religion.

Lay movements have had less impact in the United States, where the parish has remained the center of church activity.


The pope, who is expected by Vatican officials to write a document on the laity after studying the Synod's report, has often said he sees lay movements as a primary source of renewal in the church after the dramatic changes enacted by Vatican Council in the 1960s.

Women's Rights Hailed

The synod on Thursday condemned discrimination against women and praised women who "justly fight" for their rights. The Associated Press reported.

The bishops also said Catholic politicians should uphold church teaching and fight for social justice, human rights and religious freedom.

"We rejoice in the progress and advances which have been made in recognition of the legitimate rights that enable women to fulfill their mission in the church and in the world," the bishops said.




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Herald Tribune

Published With The New York Times and The Washington Post

Yes, Start With the Deficit

Critics, right and left, insist that it is wrong to cut the U.S. budget deficit now. Non-experts are entitled to wonder, too. Why tighten up just when the stock market is in shock and the economy may be on the brink of recession?

Yet a broad sweep of respected conservative and liberal economists, plus President Reagan, Democratic and Republican leaders of Congress, a phalanx of foreign leaders and many businessmen believe the deed must be done. While they are divided over whether to raise taxes, they agree that the deficit has to come down, by at least \$23 billion. Not one would say that this would make everything all right. It is still the right place to start.

Taming the budget is only one of several immediate steps to be taken, all linked. Tighter budgets must be matched by the Federal Reserve loosening reins on credit. That is how to maintain aggregate demand and minimize chances of recession. Further, this American policy must be matched by stronger growth policies in the powerhouse economies of West Germany and Japan. And all must pay careful attention to the value of the dollar.

There is no magic in a \$23 billion deficit reduction. It is the target mandated for fiscal 1988 in the Gramm-Rudman-Hollings balanced-budget law. Some experts now question whether that is enough. But given concerns about recession it is probably wise to stick with a modest cutback now, coupled with assurance of further reductions to come.

A more resounding challenge to policy

comes from those who argue that the time for tightening has passed. Their counsel to let fiscal policy ride misunderstands several factors. What is most needed at this time of enormous uncertainty is stability. A \$23 billion cut is large enough to reassure the financial world but not so large as to feed a recession. The resulting slack in demand can be made up by easier credit and stronger exports, foreign governments willing.

It is also critical that the deficit be reduced by agreement rather than arbitrary Gramm-Rudman-Hollings cuts or a mindless across-the-board spending freeze. Those strategies hit poor people hardest. Moreover, failure to negotiate agreement would say that Washington remains in paralysis, even after the Wall Street collapse; that is how to rattle the markets more.

As the White House and congressional leaders tackle these questions, one danger is gimmick solutions. Two examples: The pending budget legislation in the Senate pretends to save almost \$1 billion by altered bookkeeping — no change in spending — for the Tongass National Forest in Alaska. A House bill pretends to find new revenue by making corporations pay taxes more quickly. Such transparent manipulation feeds suspicion that Washington will never make hard choices.

For the moment, the budget negotiators appear to be on track. A watchful world can withhold judgment until the job is accomplished, honestly and quickly.

—THE NEW YORK TIMES

The Case for a Gas Tax

If President Reagan and Congress cannot cut the budget deficit by more than the \$23 billion already assured, that will be a spectacular confession of political incompetence. The financial markets will read it that way, and an incompetent government is not a reassuring sight to investors already badly shaken by the drop in stock prices. But the job of managing the budget is not as hard as the negotiators have been making it.

The deficit has to come down, but that is not all. Throughout the economy Americans are consuming more than they can afford and saving too little. It is time to raise consumption taxes, and not just on beer.

The case for a gasoline tax is stronger than ever. It not only would raise the revenues that the government desperately needs, it would put a useful restraint on the rate at which the United States is burning oil. Oil imports have been rising steadily for two years. With the world's chief source of imported oil threatened by an unending war in the Gulf, it is mindless simply to let American dependence keep drifting upward.

Each penny per gallon added to the gas tax would raise \$1 billion a year. How about a 30-cent tax, phased in over three years? It would do wonders for the deficit. It would also do wonders for the atmosphere in the

stock market. People there fear that even if the White House and Congress manage to produce a reduction in this year's deficit, it will be a patched-up list of one-shot gimmicks and nifties like asset sales and accounting changes that promise only the most illusory improvement. A gasoline tax scheduled to rise over time would, in contrast, be a solid promise of real, permanent progress.

The anti-tax theorists and supply-siders, as one would expect, have begun to remind a nervous Congress that attempts to balance the budget in the early 1930s made the Depression much worse. There are a couple of night-and-day differences between then and now. The U.S. economy, and the world's, was already several months into a recession when the stock market crashed in 1929. Now, in contrast, the economy is expanding rapidly. In the 1930s, the Federal Reserve Board mistakenly tightened the money supply and raised interest rates. Currently, one crucial benefit of a lower deficit would be to provide the Federal Reserve greater latitude to lower interest rates. That will do more to avoid a recession than trying to persuade Wall Street that big deficits are good for it. The gas tax is too ineffective a remedy to ignore.

—THE WASHINGTON POST

The Soviet Masses Awake

One group protests the destruction of historic buildings in Moscow. Another calls for a non-governmental seminar on human rights. A third restores a monastery for use as a cultural center. Such is the diversity of groups mushrooming in the Soviet Union, where even to organize on behalf of the handicapped has long been impossible.

Mikhail Gorbachev rightly believes that he cannot have the economic reform his country desperately needs without public vitality and enthusiasm for change. But those attitudes do not come easily to a people so long pushed down, and his pleas have taken on an almost plaintive air. The new groups are the first hint that social and political pluralism could begin to emerge from the gloom.

They nudge tentatively at the boundaries, requesting the right to run candidates for government posts, inviting links with East European or Western peace groups. The Perestroika Club proposes a monument to the victims of Stalinism. A Federation of Socialist Clubs, reminiscent of America's New Left in the '60s, debates the future of Soviet society.

Inevitably, there are those who use their new freedoms to deny freedom to others and incite hatred. For example, the nationalist Pamyat is anti-Semitic and volubly opposes current reforms.

The groups are such a new phenomenon

that both club members and Soviet authorities are groping for rules of behavior. So far, the government has tended toward the permissive, allowing the clubs to operate openly and even to call news conferences to explain their views.

Now a special commission is studying the groups in order to recommend an official stance. The commission was instigated by Tatyana Zaslavskaya, a leading advocate of reform. An economist by profession, she has been uncommonly outspoken about the social problems facing reform. "Ours is a terribly inert system," she has said, with a "conspicuous and general tendency of passivity" that has reduced society to a "slumbering mass."

That inertia is natural enough, given decades of repression of intellectual dissent, denial of diversity and obsession with secrecy. Add fears about the impact of economic reforms on prices, incomes and job security, and the inhibitions on activism are clear.

For all that, the independent clubs sprout with remarkable speed and vitality. Is this the vanguard of the broader activism Mr. Gorbachev says he seeks? Can Soviet society accommodate the unruliness of such pluralism? The answers will say a lot about how far Mr. Gorbachev's openness and restructuring will go.

—THE NEW YORK TIMES

Other Comment

A Little Rationality, Please

As White House and congressional leaders sat down to negotiate deficit reductions, one Wall Streeter demanded that Washington react immediately or "it will get awful."

But it may take some time for Washington to take corrective action — and probably it should. The economic clouds in fact are towering thunderheads in every direction. Solutions will be complicated, long in taking hold and no doubt somewhat painful.

The budget deficit is just one slice of the problem. America needs to deal with a massive trade deficit that may be the most intractable piece of the puzzle. There is the threat of protectionist trade legislation, and the

awful lurking problem of Third World debt. Wall Street, Congress and the administration also must act on internal market problems that have brought about considerable wretched excess and threatened to send Wall Street totally out of control.

The New York Stock Exchange chairman, John Phelan, has highlighted the problem of using credit to buy stocks that must be dumped in a falling market when the stocks lose equity and loans are called, thus making the plunge even worse.

The crisis demands determination, rationality and unity from Washington, but not overreaction. From Wall Street, for now, a little rationality would do.

—THE LOS ANGELES TIMES

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OPINION

The Key to Moscow's Success in the Mideast

By Robert G. Neumann

This is the first of two articles.

WASHINGTON — Thanks to aggressive diplomacy, the Soviet Union is emerging as a potential mediator and power broker in the Gulf war and the Arab-Israeli conflict. The Soviets have not yet supplanted the United States in the role of Middle East peacemaker, but they have made important gains. The key to Moscow's diplomatic strategy is that, unlike Washington, it maintains contact with all sides, talking to Iran and Iraq, to Israel and the Palestine Liberation Organization.

I have watched the evolution of Soviet Middle East policy at close hand over the past three years. During that time, former Assistant Secretary of State Harold Saunders and I have met regularly with high-level Soviet Mideast policy makers as part of the Dartmouth Group process of dialogue. During that time, we have seen a growing sophistication on the Soviet side — and an explicit recognition that the war in Afghanistan cannot be won. Starting about a year ago, the Soviets began to talk about playing a more aggressive diplomatic role in the Arab-Israeli confrontation.

General Secretary Mikhail Gorbachev has placed himself in an unprecedentedly powerful position in the Middle East. With regard to any future Arab-Israeli peace negotiations, he clearly has recognized what Israel is beginning to — and what Washington has not at all — that no peace agreement, especially one containing territorial compromises for the Palestinians, can be negotiated and legitimized without the participation of representative Palestinians and, of course, a functioning Israeli government.

American policy, in contrast, is still driven by terrorism-fixation and remains unable to accept

the fact that peace negotiations have to take place between enemies and not friends, and that nobody can designate who shall represent the adversary.

The Soviets recognize that the PLO is one of the choke points of any credible peace effort. At the April conference of the Palestine National Council in Algiers, where there was no U.S. presence, the Soviet ambassador was busy bringing radical groups back into the PLO fold, thus strengthening Yasser Arafat's hand.

The PLO still matters in peace negotiations, for a simple reason. No peace agreement will, under even the most optimistic forecasts, get back everything that the Arabs lost in the war of 1967. No Arab state, not Jordan, not Syria, not even Egypt, is strong enough to accept hard-to-swallow compromises over territory deemed by the Arabs to be Palestinian. Only Palestinians can legitimize such a step. And they are in the PLO. All attempts by Israelis, Jordanians and Syrians to create substitutes for the PLO have totally failed.

The Soviets, by their skillful move with the PLO, have placed themselves in a central position in Middle Eastern diplomacy from which they cannot easily be dislodged. The question still asked in Washington of whether "we should let the Russians in" now represents a train that has left the station. Even Secretary of State George Shultz seems to have recognized this by endorsing joint U.S.-Soviet sponsorship of peace negotiations.

The Soviets' advocacy of an international con-

ference to propel the peace process fits their general orientation. They know that Jordan is far too weak to come to the negotiating table alone and make a separate peace. The fate of Egypt's Anwar Sadat, who was far more powerful, is well remembered. Hence Moscow's strong and Washington's milder support for such a conference, in which that part of Israel's political spectrum represented by Shimon Peres has joined.

But this apparent agreement is deceptive. Mr. Shultz and Foreign Minister Pines would like the conference to be little more than show, an umbrella to permit the Jordanians to enter. But then the umbrellas would be folded and the actual negotiations would be bilateral between Israel and Jordan, and perhaps Israel and Syria, and all decisions would be final.

The Soviets laugh at such an idea. Yes, they are prepared to be flexible in form, to permit bilateral negotiations, to accept a joint Jordanian-Palestinian delegation whose Palestinian members would, of course, get their orders from the PLO but whose identity would be less visible than that of known PLO leaders. But their principal objective is a strong role in the Middle East. There is no realistic possibility that they would be willing to settle for anything short of an important voice in the ratification of all bilateral agreements.

The writer, a former U.S. ambassador to Afghanistan, Morocco and Saudi Arabia, is director of Middle East programs at Georgetown University's Center for Strategic and International Studies. He contributed this to The Washington Post.

The Crisis Is International, And So Are the Solutions

By Hobart Rowen

WASHINGTON — Yes, a significant cut is needed in the American budget deficit. But when Wall Street and other fragile markets tell political leaders all over the world to get to work, the message has a broader and deeper meaning.

It would be a mistake to think that a not-too-distant fiscal sanity will be enough to give the recession analysis think likely next year. There remain the critical issues of the trade deficit, exchange rate levels, the protectionist threat and the ugly overhang of \$1 billion in Third World debt.

At a dinner here Monday among liberal Democrats and members of the West German Social Democratic Party, Gino Despres, a top aide to Senator Bill Bradley, heard no disagreement when she said: "The problems and the solutions we face are international. America can't solve this crisis alone. Just cutting the American budget deficit won't help unless West Germany and Japan expand their economies. It will only cause recession."

"If you don't expand," she said to the Germans, "we will have a bitter protectionist reaction, and we will all go to hell in a handbasket."

Wolfgang Roth, the SPD's shadow economics minister and a member of the Bundestag, acknowledged that confidence must be restored in the ability of the major governments to work together. He said that James Baker, the U.S. Treasury secretary, "was right to criticize the Kohl government's high interest rate policy."

Yet the markets are just as unsure whether West Germany will face up to its responsibilities as they are about Washington's ultimate response. What financial markets await from Washington is a fast and credible move to cut the budget deficit significantly, not just the \$23 billion that would arise from the Gramm-Rudman-Hollings legislation.

Financial markets need the assurance of a deficit reduction of \$40 billion to \$50 billion in fiscal 1988. That would offset the inflationary potential of the Federal Reserve's welcome steps to ease money.

One senses that President Reagan is not sufficiently scared. He temporizes about a tax increase, arguing that nothing worse than a "correction" is taking place, and that the economy is pretty much all right.

But how about the Democrats? I do not hear the Democratic presidential candidates using the dreaded word "tax increase."

The idea of a tax increase must be

put in perspective. Some observers, recalling that higher taxes in the 1930s exacerbated economic decline then, wonder about raising taxes now. But no one is suggesting a Hoover-like tax program, designed to wipe out the deficit. Rather, it must be a carefully balanced package to reduce the deficit — and be coordinated, as Gino Despres said, with offsetting stimulative moves by the Fed and by governments abroad.

With fiscal policy so loose and stimulating a consumer boom, the Fed necessarily followed a tight monetary policy. That is why interest rates were shooting up this year and became one of the elements underlying the stock market collapse. That is also why the budget deficit has to be curtailed — so that interest rates come down and the stock market comes back.

There is the question of the trade deficit and protectionism. One of the triggers for the Great Depression was passage of the Smoot-Hawley Tariff Act in 1930, after the market crashed in 1929. Imagine the tonic now if Democratic trade hawks were to announce that they were abandoning their protectionist mischief.

The Washington Post.



Morning in America

GATT at 40: It's Needed More Than Ever

By Arthur Dunkel

The writer is director-general of the General Agreement on Tariffs and Trade.

GENEVA — The story of 1929 and 1930 has been told over and over again in recent days. The crash of 1929 and the recession that accompanied it followed it were turned into the Great Depression by the foolishness of governments. We have been reminded sharply of the huge tariff increases, of protectionist retaliation and competitive devaluation that brought about that debacle.

There is no reason to believe that the stock market turmoil of 1987 will lead to the same short-sighted policies. This is true partly because there now exists a safety net of international agreements that allow governments to coordinate economic, trade, monetary and financial policies. An important part of the safety net is the system of multilateral rules through which most major trading countries and many smaller ones bind their trading interests in a contract. The system is the General Agreement on Tariffs and Trade and it was first signed 40 years ago today.

GATT is now a family of 95 countries. Several other countries are negotiating their accession. This expansion is not only a source of pride, it is a sign that the system can still provide the necessary stimulation to world trade.

Drawing from the experiences of the 1930s, when world trade fell by half over a two-year period and political conflicts between nations grew sharper, GATT devised rules to provide stability and predictability for all those engaged in trade: investors, producers, importers and exporters.

GATT's architects understood many truths about multilateral operation. They created no bureaucracy. GATT was, and is, a small organization. Nor did they suppose that sovereign states could be forced to act against their will. Instead, they devised a system of mutuality of rights and obligations that puts great pressure on governments to act in the common good. Decisions are achieved through consensus, not through the counting of votes. This

process can be frustrating, but ultimately it is the most realistic means to achieve worthwhile results in relations between nations.

During GATT's 40 years, world trade has grown in value from \$37 billion to more than \$2.1 trillion per year; import tariffs in industrial countries have fallen from more than 40 percent, on average, to less than 5 percent; the contribution of merchandise trade to America's gross national product has risen from 4.7 percent to 12.2 percent; and present GATT membership accounts for nearly 90 percent of world merchandise trade.

Still, shortcomings in the GATT system are evident. It has not provided effective discipline in agricultural trade. It has permitted the repeated extension of a "temporary" arrangement in textiles and clothing that shackles some of the developing countries' most important industries and penalizes consumers in developed countries. It has been unable to cope with the spread of discriminatory bilateral arrangements that range from steel to semiconductors.

The Uruguay Round of trade negotiations, launched in September 1986, represents a broad approach to the many problems affecting trade relations. The high degree of commitment to this round shows that governments are still attached to the GATT system. Going even further, governments want to put in place a trading system that will meet needs well into the next century.

Far-reaching proposals are on the negotiating table, and they are gaining momentum. The process deserves the support of governments, business and consumers. The creation of a multilateral trading system was important in 1947. Its preservation and expansion is even more important now.

International Herald Tribune.

A Gear Shift En Route to The Summit

By Flora Lewis

BUDAPEST — The news that Secretary of State George Shultz went home from Moscow without agreement on a summit meeting came as a shock to an East-West meeting of journalists here, even though Moscow later seemed to change its mind.

Some high-level Soviet officials were present, and they obviously did not know what had happened or why. Two of them, separately, said they did not believe that Mikhail Gorbachev had changed tack again and a linked summit meeting for the signing of a treaty eliminating intermediate-range missiles to a ban on "star wars." So America, they said, must have come up with new obstacles.

But it is clear that Mr. Gorbachev did switch gears and tried to show that he was not in a hurry to see President Reagan. The incident demonstrates that with or without Gorbachev we know very little about Kremlin policies.

It is conceivable that this was another example of traditional Soviet negotiating tactics, trying to squeeze extra concessions at the last minute. Despite the vastly improved knowledge of the American scene, Soviet decision-makers may wrongly have thought that Ronald Reagan's recent setbacks would make him willing to give more to Mr. Gorbachev.

Almost all the evidence, however, goes against these speculations. Political problems of his own at a critical moment are a far more probable cause of Mr. Gorbachev putting off the commitment to a dazzling duet performance with the president.

Reports had spread among top East European officials that Mr. Gorbachev's speech celebrating the 70th anniversary of the Bolshevik revolution was going to be a blockbuster. The speech apparently was submitted for approval to the Central Committee last week and aroused sharp criticism and dispute.

Nobody professes to know whether he has therefore decided to make the speech less startling, or to go through with it and try to overwhelm his critics. In any case, the Easterners concluded that he did not feel it was a good time to announce that he was about to cuddle up with President Reagan.

Apparently, however, he underestimated the American reaction, and does not want to try to be understanding better relations.

The Russians know that if a treaty is not signed and presented to the U.S. Senate for ratification before the end of the winter, they probably would have to wait a couple of years, after elections and a review period for the new U.S. administration. They evidently do still want to move on with a series of arms control agreements to buttress Mr. Gorbachev's call for "new thinking" in foreign as well as domestic policy. Moscow clearly wants to create momentum.

The most persistent hint of the immediate cause for controversy over Mr. Gorbachev's speech has to do with Soviet history. This may surprise Americans, but the official version of revolutionary history is of the utmost political importance to Soviet Communists. As George Orwell showed, revising the past is the way they justify present and future action.

Eastern insiders say that Mr. Gorbachev wants to rehabilitate Nikolai Bukharin, one of the old Bolsheviks ousted by Stalin. Bukharin was an advocate of Lenin's New Economic Policy, begun in the early 1920s. It opened some markets and encouraged Western investment. His name is also linked with agricultural policy, as an opponent of Stalin's forced collectivization and campaign against kulaks, who were better off than the poorest peasants.

Mr. Gorbachev may even restore Leonid Brezhnev to a place in Bolshevik history, although as a brilliant military leader and not as a policy maker. Trotsky's theory of spreading world revolution is definitely not a part of current Moscow strategy.

There are also Eastern reports that Mr. Gorbachev is planning to announce a cut of a million or more men from the Soviet armed forces, as the Chinese did, for economic reasons. Undoubtedly, that would cause resentment in the military establishment. But opening up party history, admitting more of the past as a caution for the future, is even more contentious for Mr. Gorbachev.

Nikita Khrushchev's secret de-Stalinization speech, still unpublished in the Soviet Union, denounced only crimes committed against Soviet Communists, not the policies Stalin imposed on the whole country. And Khrushchev was later ousted from power. Mikhail Gorbachev is undertaking a big gamble. Things should be clearer in a week or two.

The New York Times.

100, 75 AND 50 YEARS AGO

1887: Copy This Advice

PARIS — [The Herald says:] If the Republican leaders should do so sensible a thing as to nominate for the Presidency a business man, Chamberlain Mitchell Dewey, instead of James G. Blaine, his experience in business and industry would be of value to him. When President Grover Cleveland permits himself to be interviewed he wishes to say and then requires that before the report is sent to the printer he shall see it and revise it. If Mr. Dewey had used Mr. Cleveland's precautions at St. Louis there could have been no mistake, and when he is nominated, we advise him to take a leaf out of a democratic President's book and require "to see the copy" before it is sent to the printer.

1912: Lorky Politicking

NEW YORK — Apparently voters have made up their minds that, no

matter what the issue of next Tuesday's election [Nov. 5], it cannot affect adversely the prosperity of the country is now enjoying. From the tower of one of New York's "skyscrapers" are flashed nightly mammoth electric photographs of President W.H. Taft as he entertains his countrymen to "Remember the panic of 1893 and the panic of 1907" in flaring letters. Democrats declare that these aerial arguments are above the heads of the people.

1937: Warning to Berlin

LILLE — A warning was given to Germany by Yvon Delbos, French Foreign Minister, speaking at the Radical Congress here [Oct. 29], that if it attacks Czechoslovakia, France, in conformity with the terms of the Prague government, "There is no more urgent," he said, "than making upholding the value of the signature and the sacred character of the obligations that have been incurred."

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Moscow Indicates Agreement On Terms for a Summit in '87

By Celestine Bohlen
Washington Post Service

MOSCOW — A Soviet Foreign Ministry spokesman said Thursday that the United States and Soviet Union had agreed on the terms of a summit meeting to take place before the end of the year.

Boris D. Pyadyshchev, in a shift of terminology, said at a press briefing that the two sides had "an understanding that together with an agreement on medium- and short-range weapons, questions relating to strategic offensive weapons and the ABM Treaty will be thoroughly discussed."

"This will be sufficient to hold a summit meeting this year," he said. Last week during a visit here by Secretary of State George P. Shultz, the Soviets had insisted on reaching agreements on "key provisions" on strategic and space defense issues before setting dates for a third summit meeting between Mikhail S. Gorbachev and President Ronald Reagan.

Mr. Pyadyshchev made the comments as Foreign Minister Eduard A. Shevardnadze, in Prague for a meeting with Warsaw Pact foreign ministers, prepared to head for Washington for a two-day visit to speed along an agreement on a summit meeting.

Mr. Pyadyshchev said he did "not rule out the possibility" that dates for the meeting would be announced over the weekend.

[Reuters reported from Washington that Mr. Reagan, asked about prospects for a summit meeting, replied: "I'm going to wait until tomorrow and find out from the foreign minister."]

Mr. Shevardnadze is expected to arrive in Washington on Friday with a letter from Mr. Gorbachev. Mr. Pyadyshchev said that the new optimism about the summit meeting was the result of a two-sided "advance in the Soviet-American dialogue." He noted that Mr. Shultz's visit to Moscow last week had been too short to resolve all the outstanding issues.

"We did not manage to deal with all the questions in the necessary depth," Mr. Pyadyshchev said. "A pause was needed."

He noted that at a meeting Tuesday between Mr. Shevardnadze and the U.S. ambassador to Moscow, Jack F. Matlock, "both the American and the Soviet side had something additional to say."

"I should say that both the Soviet and the American positions are in the course of further development," he said.

By calling for a "discussion" instead of an "agreement" on "key principles" on the combined issue of cuts in strategic weapons and observance of the 1972 Anti-Ballis-

tic Missile Treaty, the Soviet Union seems to have shifted the timetable it had been seeking on arms control.

Originally, it was pushing for an interim accord on strategic cuts this fall, in addition to the medium-range missile treaty, with a full treaty expected by mid-1988. In the Soviet view, strategic cuts are dependent on Washington agreeing to restrictions to its space-based Strategic Defense Initiative.

Mr. Pyadyshchev showed new flexibility Thursday, saying the discussion on strategic cuts "may have a varying degree of intensity and bring about various results."

"We would consider this discussion successful should an interim agreement be worked out in the form of key provisions, or directives for the delegations at Geneva," he said.

Mr. Pyadyshchev said the drafting of an intermediate-range agreement — which Mr. Shultz has said is 98-percent complete — would be the focus of talks in Washington. This work can be completed in two or three weeks, he said, noting that one week had already gone by since Mr. Shultz's visit to Moscow.

"Hence the need for fast action, hence the promptness with which the Soviet leadership decided to send the foreign minister to Washington," he said.

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EUROPEAN TOPICS

France to Impose Tax On Erotic Videotex

France is to impose a 33-percent tax on the sexually explicit message services that account for much of the traffic on the state telephone company's videotex system, known as Minitel.

The little terminals, distributed free to about three million French homes so far, offer an electronic telephone directory, news and other data, including private message services that put subscribers in touch with each other to exchange intimate fantasies in great detail — anonymously or otherwise. The message services advertise with suggestive posters. Minitel users of "sex services" account for an estimated third of the traffic on the network.

Although telecommunications authorities have resisted curbing the lucrative sex messages, they have been increasingly embarrassed by the bad publicity. Gérard Longuet, the post and telecommunications minister, has insisted that private videotex communications should not be subject to censorship by mail or telephone conversations. But he now says that his ministry should "participate in the defense of morality."

Under a measure passed by the National Assembly, a special committee is to compile a list of Minitel services with a "pornographic character," which will have to pay the 33-percent value-added tax beginning in January 1989. The price of the sex services will not rise for users under the bill, but will be paid by the suppliers.

Britain's Felled Trees Cause Lumber Glut

The violent storm that left a trail of death and destruction in Britain earlier this month uprooted at least a million trees. The extent of the damage has permanently altered the rural and urban landscape, according to forestry experts.

Some trees were rare and ancient, including the more than 500 felled in London's two botanical gardens, Chelsea Physic Garden and the Royal Botanic Gardens at Kew. Duncan Donald, curator of the Chelsea garden, said the loss of some of its biggest trees, which provided shade and shelter to younger plants, has left the garden vul-



HOT SEAT — Norbert Ben Arous, a leader of the French taxi union, demonstrated a security system Thursday that has been installed in some Parisian cabs following a number of recent murders. It sends a 52,000-volt shock into would-be aggressors.

nerable to future gales and drops in temperature. Both gardens have been contacted by furniture makers and sculptors hoping to buy exotic woods rarely found on the market. But most felled trees may have to be burned for lack of buyers. The unexpected supply of wood has glutted the lumber market and prices have dropped sharply, according to the British Timber Trade Federation.

The government has promised the Countryside Commission, a conservation agency, £3 million (\$5 million) for the planting of new trees, and money has been pouring into tree-planting funds set up by public and private organizations.

Around Europe
Belgium is Western Europe's biggest producer of acid rain, according to the Nature and Environment Foundation, a Dutch environmentalist group. A report distributed at a conference of 18 West European environment ministers in the Dutch town of Noordwijk said Belgian chemical industries, oil refineries and automobile traffic discharge 16 times more acid-forming chemicals than can safely be absorbed by the environment. The Netherlands is the next biggest polluter, followed by Britain, Denmark and West Germany, according to the group. It based its report on figures released by the Organization for Economic Cooperation and Development and by the United Nations.

Moscow's historical city center will be restored and rebuilt by the year 2000, according to the Soviet news agency Tass. The Soviet government has approved a plan to "complete a basic reconstruction of the historical center," as well as to improve the flow of automobile and pedestrian traffic and reduce noise and pollution, Tass said. Recently, Soviet officials and journalists have criticized the city's "monolithic" architecture and called for better preservation of its cultural heritage. In the Stalin era, many of Moscow's older buildings were torn down to make way for wide

boulevards and concrete apartment blocks.
The number of young West Germans who reject smoking is growing, according to a survey conducted by the North-Rhine-Westphalia Health Ministry. Thirty-five percent of people aged 12 to 24 said they were smokers, 54 percent said they had never smoked and 11 percent said they had kicked the habit. In a 1981 survey, 46 percent of those interviewed said they were smokers, 12 percent had stopped smoking and 42 percent had never smoked.

Gossiping is good for you, according to Nicholas Emiler, a psychologist at Scotland's Dundee University. Gossip is the "grease that keeps the wheels of society turning," he said in a report based on a six-year study. Dr. Emiler said gossiping is a useful, natural urge that helps people understand changing relationships. And men gossip just as much as women, "but they call it politics."

—SYTSKE LOOIJEN

2 Gendarmes Are Killed In Beirut

BEIRUT — Gunmen in a speeding car sprayed three French Embassy guards with automatic rifle fire Thursday as they were shopping in Christian East Beirut. Police said two officers were killed.

A police spokesman said the two gunmen "sped away immediately after shooting the three French soldiers."

There was no immediate claim of responsibility for the attack. Christian militiamen in control of the area sealed off the attack site.

The spokesman said the guards, French gendarmes, were shot with 9mm automatic rifles as they were "buying fruits and antiques from two adjacent shops in Dabra," a predominantly Armenian neighborhood.

In Paris, the Foreign Ministry issued a statement saying France "condemns the odious attack."

"An investigation was opened immediately by the Lebanese authorities with whom the French Embassy in Lebanon is in constant contact," the statement said.

It said the ministry "addresses its condolences to the cruelly stricken families and to the corps of the National Gendarmerie, struck once more" — a reference to gendarmes killed earlier this year in France.

Meanwhile, in Beirut, the Foreign Ministry said officials had talked with a South Korean diplomat who was kidnapped in Beirut in 1986, but it did not confirm that he had been released.

A Foreign Ministry spokesman said that South Korean officials spoke to Do Cha Sung by telephone Thursday and that he "is alive and in relatively good health."

But officials did not confirm reports that Mr. Do had been released. They also did not say where Mr. Do was and who might have held him hostage.

Mr. Do, a member of the staff of the South Korean Embassy in Beirut, was abducted on Jan. 31, 1986. Officials denied reports from Beirut that a \$1-million ransom had been paid for his release.

Pravda Tells Russians Not To Hoard Food

MOSCOW — Soviet consumers, alarmed by rumors of impending price increases, have begun hoarding food and other products, Pravda said Thursday.

The Communist Party daily published a front-page appeal to readers to stop panic buying, along with reassurances from a Soviet pricing official that no increases were imminent.

The report reflected high-level concern about Mikhail S. Gorbachev's most explosive domestic issue.

"I can assure you with full responsibility: The rumors that are spreading among the population that prices for food products and some industrial goods will soon surge upward, have absolutely no basis," wrote Anatoli N. Komin, deputy head of the state committee on prices.

Rumors of rising prices have taken on a special importance since June, when Communist Party leaders said that price "reform" must be an part of efforts to revive the economy.

It may also have been due to a desire to make public information that would explain Mr. Gorbachev's puzzling behavior about the summit conference and dispel the perception that he had mismanaged talks with Secretary of State George P. Shultz in Moscow last week.

Last Friday, Mr. Gorbachev told Mr. Shultz that, despite an earlier agreement to set a date for a summit meeting during the secretary's visit, he was unwilling to do so until the two sides could narrow differences over the development of space-based defense weapons.

On Tuesday, Mr. Gorbachev informed the administration that he was ready to go ahead with a summit meeting even if differences on the weapons remained unresolved.

U.S. officials said they were at a loss to explain the sudden shifts, and uncharacteristic confusion that they reported among Soviet officials during last week's negotiations in Moscow.

The Soviet officials said Mr. Gorbachev was preoccupied with the crisis during Mr. Shultz's two-day visit, as were many of his senior aides.

Concerned about his political position, and fearing a hemorrhage of support, Mr. Gorbachev felt that he could not set a summit meeting date until the situation in Moscow was clarified, the officials said.

Soviet Scientists Reject U.S. Guilt On AIDS Virus
MOSCOW — Leading Soviet scientists have rejected accusations in the Soviet media that the Pentagon manufactured the AIDS virus as part of a U.S. biological warfare program.

"Not a single serious scientist has even hinted that AIDS was artificially manufactured," Rostislav Z. Sagdeev, a space expert who was one of a panel from the Soviet Academy of Sciences, said at a news conference Thursday. "The academy has never had anything to do with such accusations."

CRISIS: Rift in Moscow

Gorbachev's defense during the tumultuous meeting. The included Alexander N. Yakovlev, a full member of the Politburo who is considered to be Mr. Gorbachev's closest adviser.

The 300-member Central Committee is the party's top governing body. Although it generally follows the lead of the smaller executive Politburo, the committee has the power to elect and dismiss the general secretary.

Any rebellion among Central Committee members, or even sudden opposition, would be a matter of grave concern to Mr. Gorbachev. Coming at a time when there is still believed to be resistance to Mr. Gorbachev on the committee, the Yeltsin affair has probably set back his effort to consolidate power and may have weakened his political position.

Mr. Yeltsin's actions have not been reported publicly in the Soviet Union, but rumors have circulated in Moscow in recent days that there was some kind of confrontation at last week's meeting. The willingness of officials to discuss the developments seemed partly the result of the increased openness under Mr. Gorbachev.

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Another panel member, Vitali I. Goldanskii, said the accusation was a typical example of groundless sensationalism by journalists. "I always protested about such statements being published," he said.

The U.S. State Department has accused the Soviet media of a campaign of disinformation in spreading the accusation. The virus was said to have leaked from a U.S. Army laboratory conducting experiments in biological warfare.

Safe From Titanic Is Opened on Live TV

By Christopher Boian
International Herald Tribune

PARIS — More artifacts retrieved from the wreck of the Titanic, including a diamond pendant bearing the inscription "May This Be Your Lucky Star," were displayed publicly for the first time Thursday during a two-hour live television broadcast to the United States.

The promoters of the program estimated that 100 million people in the United States, Canada, Colombia, Peru, Brazil, Argentina and Hong Kong and elsewhere watched the report. The expedition is defended by its sponsors as historically significant but reviled by critics as "grave-robbing."

Telly Savalas was the host of the show, which included pre-recorded footage detailing the history of the ship that was described by a Titanic scholar as "an historical horror."

The program was broadcast early Thursday morning from Paris to coincide with early evening viewing hours in America.

During the final half-hour, Mr. Savalas and two scientists from the French Institute for Research and Exploration of the Sea, which provided the support ships and the submarine for the expedition, emptied a purse's safe and a leather valise that had belonged to a passenger named Robert L. Beckwith.

"If there are any survivors of the Beckwiths, these may be yours," Mr. Savalas said as the contents of the valise were displayed.

The display of the artifacts — which included a bracelet with the name "Amy" written in diamonds, a corroded jewelry box engraved with the initials R.L.B., a leather purse containing British coins and the gold and diamond pendant — marked the most recent in a series of highly-publicized "unveilings" of the fruits of the expedition.

A panel identified as experts in coin and jewelry appraisal said that the coins displayed Thursday were worth about \$5,000.

The program was not shown live in France or in most of the rest of Europe.

"It would have been absurdly expensive for us, considering that the French do not generally watch television between two and four o'clock in the morning," said a spokesman for the French channel TF1.

The program, entitled "Return to the Titanic... Live" was broadcast by 155 local television stations in the United States — 95 percent of the American prime-time market, according to one estimate — as well as in Canada, Colombia, Peru, Brazil, Argentina and Hong Kong.

Italy was the only European country to broadcast it live.

"The object was to make money," said George Tulloch, the managing director of Oceanic Research and Exploration Ltd., the joint venture group that funded the expedition.

"We were quite pleased with the results."

Advertising revenue, which was estimated to total between \$5 and \$6 million, will be used to repay investors and to pay other expenses, according to John Josey, the president of the Los Angeles-based Westgate Productions, Inc., and the executive producer of the show.

Mr. Tulloch said that partners in the expedition had invested more than \$6 million. He stressed that no profit would be made from the sale of the recovered artifacts.

Westgate officials said that the objects recovered from the wreck would remain in Paris until the middle of next year, after which time they will be exhibited in museums.

The program, and the expedition that preceded it, have been the object of controversy, with expedition organizers being accused of "grave-robbing."

Proponents of the salvage expedition have argued that the potential historical and technological discoveries outweigh any other considerations.

After the broadcast, Charles Haas of Randolph, New Jersey, the president of the Titanic Historical Society, was quoted by The Associated Press as saying that the show was "an historical horror."

"A lot of the assertions are flatly untrue," Mr. Haas said, "made with hype and showbiz in mind."

and those of us who have labored over this for 25 years to unearth the true story of the Titanic will be faced with unteaching the perceptions these folks have unleashed on an unsuspecting public."

One of the highlights of the program was the discussion of the theory that the Titanic sank after an internal explosion ruptured the ship's hull.

William Diebel, a Seattle businessman and former naval officer who was interviewed on the program, said that his father had been a soldier during World War I by a fellow soldier that the ship never hit an iceberg. The iceberg story was concocted "to conceal the real cause, for insurance purposes," Mr. Diebel said.

Mr. Arias showed a far greater level of personal involvement than he had previously in the efforts to breathe life into the peace accord.

He and his aides said he had spoken several times by phone with President Daniel Ortega Saavedra of Nicaragua to urge him to negotiate with the contras and to be flexible on other issues such as an amnesty for political prisoners and freedom of the press. Mr. Arias sent his brother to talk to Sandinista leaders in Managua three weeks ago, a Costa Rican official said.

Mr. Ortega has in turn called Mr. Arias to ask him to intervene to keep contra officials from trying to fly to Managua, a Costa Rican official said. The Nicaraguan Embassy here Wednesday refused to give passports to four contra officials, saying they must first accept a political amnesty.

The Nicaraguan government, in addition to announcing a cease-fire in specified areas, has offered to discuss truce arrangements with individual contra commanders in the field. But it has refused to have any dealings with the contra political leadership, insisting instead on talks with the U.S. government.

Mr. Arias has maintained close contact with powerful members of Congress, particularly in the Democratic Party, as well as European and Latin leaders to generate as much momentum as possible for his negotiating efforts. In effect, his stand is a calculated political gamble to force governments to change their ways.

But the Costa Rican leader appeared tired and worried, noting that positions had hardened. Costa Rican officials said that the Sandinistas appeared willing a few weeks ago to negotiate a cease-fire with the contras but that they had since reversed that stand.

"We haven't advanced much," Mr. Arias said.

Government officials in El Salvador and Guatemala have already met with rebel groups from their countries. Besides refusing to talk to the contras, the Nicaraguan government has yet to lift a state of siege, permit full access to radio and television or offer a full amnesty to more than an estimated 4,000 political prisoners.

The presidents of Costa Rica, El Salvador, Honduras, Nicaragua and Guatemala signed the treaty in August. Mr. Arias was awarded the Nobel Peace Prize this month for drafting and overseeing the accord.

The treaty's central provisions call for a cease-fire in guerrilla wars, an end to outside aid to rebel forces and an end to the use of neighboring countries for rebel activities, as well as political amnesty and increased political freedom.

Salvadoran Amnesty
The El Salvador National Assembly has approved an amnesty that will free hundreds of guerrillas and prevent the prosecution of any members of death squads. The New York Times reported from San Salvador.

The law was approved Tuesday night amid mounting concern over a series of insurgent attacks and continuing protest against the killing Monday of a prominent advocate of human rights.

The amnesty, which will take effect in about 10 days, will prohibit the investigation or prosecution of any members of the military suspected of taking part in massacres of civilians. Cases against several officers who are being investigated in connection with such massacres will apparently be dropped.

The law, opposed by human rights groups and the leftist insurgents, is the most concrete step toward complying with the regional peace accord. A provision of the accord calls for amnesty measures in each of the five Central American countries.

U.S. Tightens Base Security After Attacks Near Manila

By Seth Mydans
New York Times Service

MANILA — Security was tightened Thursday at U.S. bases as the authorities investigated four coordinated attacks outside Clark Air Base on Wednesday in which two American servicemen and two other men were killed.

Major General William Snyder, the base commander, speaking on the Armed Forces television station, said there was a continuing threat to Americans and that "essential traffic only" would be permitted through the gates of the base, 50 miles (80 kilometers) north of Manila.

He said similar restrictions had been instituted at Subic Bay Naval Station and other smaller American military facilities.

"We are in tense times," he said. "In Manila, gunmen suspected of being Communist rebels shot 5 persons to death Thursday, bringing to 14 the number killed in a three-day assassination wave in and around the capital. Reuters reported."

[The police said the killings resembled previous street killings by the so-called "sparrows" teams organized by the guerrillas.]

General Fidel V. Ramos, the armed forces chief of staff, said Philippine security around the American bases would be increased "to prevent further attacks on United States personnel."

He said he believed that the Communists were responsible. It was not clear, however, that the killings outside Clark Air Base, which in all but one case involved the ambush of a vehicle, fit the pattern of hit-and-run urban killings carried out by the Communists.

Analysts said the attacks might signal a new round of violence from rightists trying to topple the government of President Corason C. Aquino.

Since a coup attempt by disaffected military officers in August, the officers' leaders, from their places of hiding, have issued a series of warnings that further violence can be expected.

The analysts said attacks on Americans could help foster a sense of instability that would weaken the Aquino government.

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WEEKEND

- *Vanishing Folk Singers*
- *New 'Old' Harpsichords*
- *French Cultural Evolution*

CRITICS' CHOICE EUROPEAN TOUR

Musicians From Montreal
The Montreal Symphony Orchestra under Charles Dutoit, its music director since 1977, opens a European tour Nov. 2 and 3 in Barcelona, continuing for a total of 20 concerts in 15 cities. The tour repertoire includes two works by Canadian composers, R. Murray Schafer's "Dream Rainbow Dream Thunder" and François Morel's "Bolel." Soloists will include the young Canadian pianist Marc-André Hamelin, the pianists Barry Douglas and Jorge Bolet, and the violinist Anne-Sophie Mutter.

LONDON

Diego Rivera and New British Works



An exhibition of the work of Diego Rivera is at the Hayward Gallery to Jan. 10, tracing the artist's career through oils, works on paper, a major group of Cubist pictures, and large-scale reproductions of some murals. A film sets the murals in the context of the artist's life and the turbulent history of Mexico, and the story of the Mexican revolution will be told in documents and photographs. The show was organized by the Detroit Institute of Arts and the Mexican Instituto Nacional de Bellas Artes for the artist's centenary year of 1986. The London showing closes a tour of North America and Europe. An accompanying show is "Artists Look at Contemporary Britain," works commissioned by the South Bank Centre from nine British artists on contemporary subjects.

TOKYO

Six Artists From Berlin

The Hara Museum of Contemporary Art presents the work of Berlin artists representing different modes of expression: Johannes Oelze's minimalism, Walter Söhner's expressionism, Armando's emblematic painterly canvases, Max Neumann's figurative style, Liszlo Lakner's lyrical graffiti, and Dieter Appelt's somber photographs. The museum, founded by Toshio Hara in 1979, is in the family's Bauhaus-style former home in a neighborhood of Japanese-style residences in the Shinjyogawa district. "Six Artists From Berlin," to Nov. 15.

GENEVA

Besson Enters Mozart's World

The veteran stage director Benno Besson is venturing into opera with a new production of Mozart's "The Magic Flute" at the Grand Théâtre, with his regular collaborators Jean-Marc Stehlé (set and costumes) and Jean-Jacques Ronchon (lighting). Jeffrey Tate conducts the Lausanne Chamber Orchestra and a cast headed by Jerry Hadley as Tamino, Barbara Bonney as Pamina and Hans Tschannmayr as Sarastro. Eight performances through Nov. 17.

Making Maestros Into Heroes...

by Roberto Suro

BARI, Italy — Hard at work on his latest movie, Franco Zeffirelli is trying to create a portrait of an artist that he thinks is suitable to an artless age. On the set one recent morning, the major challenge lay with C. Thomas Howell, the 26-year-old actor cast in the title role of "The Young Toscanini," who confesses, "Before I took this part the only classical music I had heard was in Bugs Bunny cartoons."

Zeffirelli shouts "Cut! Cut! Cut!" to make himself heard over a sweet passage from "Rigoletto" that blares from loudspeakers. The young Californian slumps behind a piano as if he knows what is coming. "You must be a hero, a hero in search of perfection, a great man bursting with energy and joy. Now try it again," the director says, smiling.

Giving lessons in music appreciation and craft are only two of the challenges involved in making movies that interweave musical performance with dramatic narrative. Technical difficulties and expenses abound. But the genre seems to be enjoying a revival with aesthetic and commercial benefits. Zeffirelli is one of a growing number of directors who see music as a source for a kind of protagonist that can have a special appeal today. And, following the success of Miles Forman's "Amadeus" and Zeffirelli's own film production of "La Traviata," there is a growing awareness that musical movies can turn a profit.

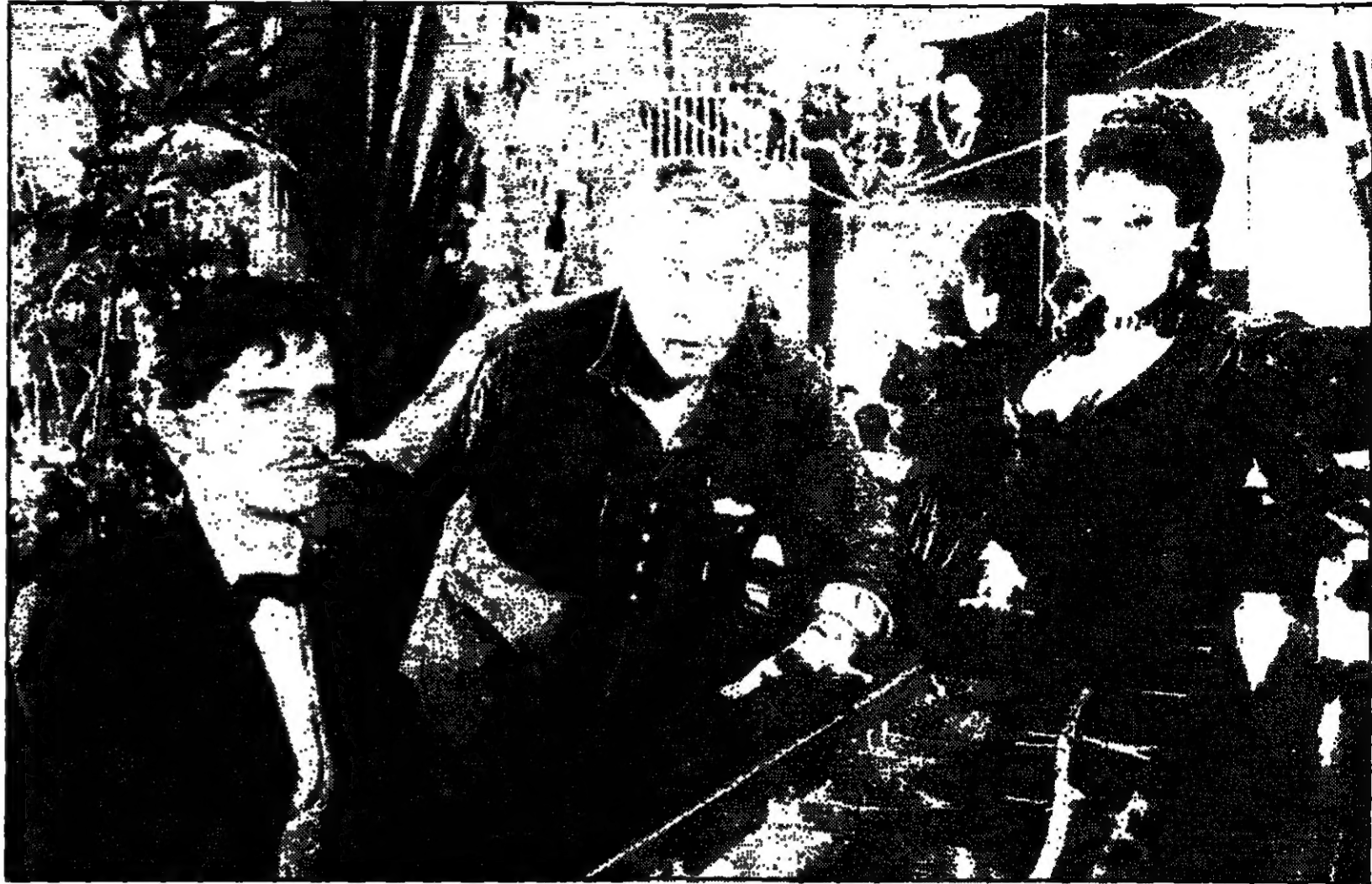
"Amadeus," Zeffirelli's new movie and "Stradivari," Giacomo Battistio's film biography of the legendary violin maker starring Anthony Quinn — also being shot in Italy — all revolve around musicians portrayed as far from ideal human beings who remain heroes because they are obsessed with their own creative visions. Music serves to glorify obsession, and keeps the men from becoming mere careerists.

"The Young Toscanini" focuses on the conductor's first love and his first success. Filming is taking place against the gilded backdrop of the Teatro Petruzzelli, a turn-of-the-century gem in Bari, a southern Italian port city. Sound technicians are setting up a scene in which Toscanini is rehearsing a group of singers. Four bits of music are interspersed with dialogue.

NOTHING is happening on cue, and the exasperated director screams: "We are in the process of wasting half a day of shooting and \$100,000. Are we ready or are we not?"

Finally the technicians are ready, but on the set take Howell again the problem. "There is still not enough joy," Zeffirelli admonishes the actor.

Most of Zeffirelli's career and virtually all of his recent successes involve grand — some critics would say overblown — musical productions. The director makes no apolo-



Zeffirelli directs C. Thomas Howell and Harriet Thorpe in "The Young Toscanini."

gies for trying to popularize opera with his films "La Traviata" and "Otello." In his current production he is taking his audience backstage. But he still suffers from the despair of his favorite genre. Calling a break in the shooting, the director turns to a visitor and says, "Never make a musical movie; music costs millions."

Why bother with the difficulties of wedding film and music?

For one thing, Battistio explains, music and dance are about the only art forms that come across in the movies, and dancers are corporeal and sensual, not easily depicted as abstract intellects. Painting, sculpting and especially writing are not activities that come across visually. Secondly, films like "Amadeus" and "Traviata" have shown that a large number of people who do not ordinarily listen to classical music like it when they hear it in a movie theater — they then often buy the soundtracks, boosting the profitability of the whole production. Moreover, the appeal is international.

BUT, in talking to Battistio and Zeffirelli, it is clear that there is more. Even if each of these movies presents a genius as thoroughly human, they are still about artistic heroes. Heroes on

film need a sense of mystery and bravura, and where better to get that than from violins and sopranos' voices?

As recently as "The Agony and the Ecstasy," the 1965 film in which Charlton Heston portrayed Michelangelo, Battistio believes, the film world "subscribed to the Romantic tradition that treated artists as myths and deities," but today he is convinced that audiences are attracted to "heroes with great gifts and great passions but

who are also credible as real human beings."

"The Young Toscanini" will present the conductor as a great artist, but one who, like Mozart in "Amadeus," is demythologized. Instead of the stormy, white-haired giant, we see a gangly lad with a thin mustache. And "Stradivari," like Zeffirelli's new movie, presents the hero as a genius of technique rather than of pure creativity.

In a secular age that adores success, these artists are portrayed as

self-centered perfectionists, not the voices of a people, not the instruments of a muse, not tortured seekers of intangible truth. The directors say they chose Toscanini and Stradivari as protagonists because they were involved in the production rather than the creation of art.

Toscanini is an example of someone who did his job perfectly because he believed absolutely in himself and knew what he wanted, and he achieved success because he refused to compromise," says Zeffirelli, adding, "I think this is the kind of character people can look up to today, especially kids."

This movie is a double success story. Elizabeth Taylor will portray a washed-up Russian soprano who makes a triumphant comeback under Toscanini's inspiration. Although the incident did occur, Zeffirelli based much of the script on his own experience in helping engineer Maria Callas's comeback.

Continued on page 9

... and Dancers Into Cads

by Anna Kisselgoff

NOT just a movie, Herbert Ross's film "Dancers" — starring Mikhail Baryshnikov — is a fable for our time. Critics across the board have hated it. Thirteen-year-old girls, especially the thousands who hang Baryshnikov posters on their bedroom walls, will love it. As they say in the business, the camera likes him. And, as probably the only reviewer over 13 who liked the movie, I have no trouble predicting that "Dancers" will become a cult classic of the future.

Worrying about whether "Dancers" works as a general movie or whether it massacres its dance

scenes deters us from seeing the film as it actually is: A hip retelling of "Giselle" whose wit lies in its real-life narrative. Matching it with the corresponding action in "Giselle" is part of the fun.

"Dancers" does what several other dance-related films have attempted in the past: It sets up a scenario that parallels the story of a familiar ballet. The characters in the film are counterparts of the characters in "Giselle," most of them are dancers who have roles in a ballet as it is shown being rehearsed and performed.

"Dancers" is not as good as "The Red Shoes," in which a similar correlation was made through the girl in Hans Christian Andersen's fairy tale who dances herself to death.

It is doubtful that anybody could make a film like "The Red Shoes" today. The movie is a specifically 1940 classic and highly romantic. Moreover, its ballet references were to a period that was a recent memory in the balletomane experience of the time: A ruthless Diaghilev figure lords over the ballet world, the center of which is still pictured as Monte Carlo.

When Antonio Gades and the director Carlos Saura collaborated recently on the film "Carmen," we saw a flamenco company rehearsing a "Carmen" ballet while its choreographer was the modern-day Don José stabbing his libertine real-life Carmen, the wife of a drug dealer. The analogy proved too precise and hence predictable.

"Dancers," in contrast, does not allow the counterpart of Giselle to die what her creator, Théophile Gautier, called "a pretty death." Ours is not an age for a larger-than-life melodrama like "The Red Shoes." Today, distressed ballerinas write best-selling memoirs; they don't jump in front of trains.

ROSS, the director, and Nora Kaye conceived of their art-and-life retelling of "Giselle" as a story with a contemporary twist — both cynical and charming. The film is dedicated to Kaye, Ross's wife and one of the American Ballet Theater's great ballerinas. She died in February, shortly after "Dancers" was completed.

Ross and Sarah Kernochan, who wrote the screenplay, have ingeniously intercut the screenplay with the relevant passages of the ballet's libretto. It is common to see the character in both stories enter on the same musical cue from Adolphe Adam's ballet score. As familiar as "Giselle" may be, it is not familiar enough to many non-dance critics. If Baryshnikov's ballet star is a womanizing male chauvinist pig, he is also meant to be the analogue of Albrecht, Giselle's Rhenish count, who goes from village to village exercising his feudal *droit du seigneur*.

Forget the story of "Giselle" and you won't understand why the people in "Dancers" act the way they do. Add a dose of backstage life that corresponds to actual gossip about ballet companies today and an annotated view of "Dancers" might open up at least three levels of intrigue to amuse us.

Reality is so present that the film refers to itself. An American ballet company is seen filming "Giselle" in Italy because it is cheaper. Baryshnikov is Anton (Tony) Sergeyev, the ballet star and director of the dance troupe. Lisa, played by Julie Kent, a Ballet Theater corps



The director Herbert Ross, with Lynn Seymour and Mikhail Baryshnikov.

Continued on page 9

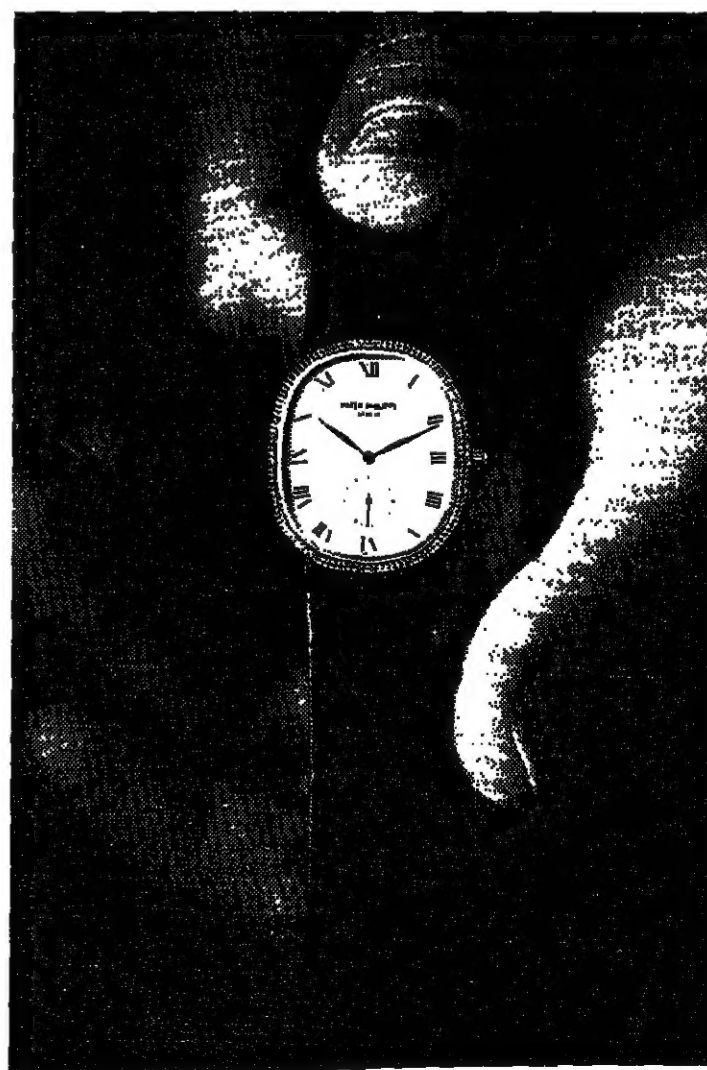
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WEEKEND

Where Have All the Folk Singers Gone?

by Stephen Holden

NEW YORK — Reading the memoirs of Joan Baez and Judy Collins, folk-music pioneers who are both now in their late 40s, one is tempted to mourn the vanishing tradition of the folk-music heroines. Through the '60s and '70s, the image of the long-haired guitar-toting folkie with flowers in her hair, burning with noble ideals, was a cliché that, while often ridiculed, bespoke an artistic seriousness that in the age of music video is disappearing from the pop mainstream.

So far in the '80s, that tradition has spawned only one new star, Suzanne Vega. In a pop climate where Madonna reigns supreme, Vega, who is 28, is viewed by many as a classy anachronism.

In 1960, at the dawn of the folk movement, male singers — Elvis Presley, Johnny Mathis, Frank Sinatra and the Everly Brothers — overwhelmingly dominated commercial music. The most popular female voice in the country was the post-pubescent whine of Connie Francis. But during the following decade, the soul and folk music movements swept more substantial female voices to the forefront of commercial pop. Aretha Franklin helped launch a gospel-based pop-soul tradition that is now being carried forward by younger singers like Whitney Houston and Anita Baker.

At the same time, Baez and Collins inspired a horde of dreamy-eyed female troubadours to take up the guitar and explore the romantically mythopoetic forest of traditional folk. The influence of Bob Dylan's free-form effusions and the iconography of the folk heroines quickly merged, as composer-performers like Joni Mitchell, Carly Simon and Janis Ian carried folk romanticism into the realm of psychosexual self-contemplation.

Until the late 1970s, this reflective pop tradition, which coincided with the flowering of feminism, seemed to be as firmly entrenched a genre as the pop-soul diva. But in the 1980s, the audience for confessional folk has steadily decreased. One by one, many of the major folk-oriented stars of the '60s and '70s, including Baez, Collins, Ian and Arlo Guthrie, to name four out of dozens, were dropped by major record labels. Those who have hung on — Linda Ronstadt, Carly Simon, Jackson Browne — have done so by moving out of folk into other areas.

Suzanne Vega, whose second album, "Solitude Standing," has sold a million copies, is the only star to emerge from the folk movement's younger wing.

Even within the folk-pop tradition, Vega's is a very different sensibility compared with her forerunners. Aloof, guarded, enigmatic, she does not extend the same open sensuality as the folk madonnas and sexual explorers who preceded her. Where the folk heroines of the '60s and '70s were eager to extend themselves — to causes and to lovers — Vega holds herself in reserve.

Joan Baez at 46 is as unserved today as she was in the 1960s. Though her voice, at her Carnegie Hall concert earlier this month,



Suzanne Vega, above, is viewed by many as a classy anachronism from an era dominated by such folk stars as Joan Baez, above right, and Judy Collins.



sounded darker and grainer than it used to, it remains a powerful rhetorical instrument. When on the stage, Baez still accompanies herself on the guitar. And while her material is more pop-oriented than it used to be, her blend of the personal and the political hasn't softened.

When Baez appeared on the musical scene in the early '60s, her singing and public image combined to distill the feminine ideal of the burgeoning folk movement. To Bob Dylan's moralistic post-Beat rebel, she played the nurturing earth mother. Her gloriously uplifting soprano seemed to embody a perfect balance between spiritual purity and wholesome sensuality. At her finest, it could be argued, her singing transcended more sophisticated (and thereby tainted) musical idioms. She approached the range, power and timbral beauty of a classical concert soprano without the affectations and elusiveness of many operatically schooled singers.

To a generation of college-educated liberals, Baez and Collins loomed as real-life romantic heroines for nearly a decade. Their personal style — cosmopolitan but not jaded, self-reliant but yielding — permitted them to be idolized by men and emulated by women. Both women projected complex three-dimensional public images.

For more than 25 years, their two careers have paralleled one another uncannily. Both women began making records in the early '60s that leaned heavily on traditional folk material and then in the mid-'60s began branching out in more contemporary directions. Both released their last major hits in 1975. Baez's "Diamonds and Rust," a sentimental replay of her relationship with Dylan, summarized the naive romanticism of the folk movement in its early period. Collins's hit version of Stephen Sondheim's "Send in the Clowns" culminated her far-ranging exploration of non-folk idioms. This year, both women released albums on Gold

Castle, the small California label that has become a refuge for '60s folk singers. While Baez's and Collins's latest albums are hardly groundbreaking, both are solid records that contain interesting original songs. Why then are Baez and Collins now relegated to the margins of pop instead of center? For one thing, there is an inevitable generational turnover. Each generation lays claim to its own pop heroes and heroines who express the mood of the times. In the age of the music video, pop music isn't expected to carry much literary weight. At the same time, the baby-boomer audience that grew up with Baez and Collins is no longer looking for role models. The generation that grew up believing that popular music could raise the world's consciousness enough to change things for the better has seen the civil rights movement unravel and the sexual revolution come to a screeching halt.

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A Gargantuan Show Puts Austria on Stage

by Joseph Fitchett

RUSSELS — Capping the mammoth exhibitions around the world in recent years about fin-de-siècle Vienna, Belgium is the stage for an even vaster celebration of the culture of Austria — a three-month exhibition and festival of masterpieces sweeping from the Hapsburg era to contemporary art.

It is gargantuan fare. The 37 separate art exhibitions range from "The Treasures of the Golden Fleece" and "Old Masters from the Albertina" to showings of the living artists' work, of photography, ceramics and folk art. Separate shows are devoted to the masters of the Viennese Secession, Gustav Klimt, Egon Schiele, Oskar Kokoschka and Alfred Kubin.

Musical events occur almost daily, with more than 50 groups and performers appearing. An evening can offer choirs or opera, chamber music or the Vienna Philharmonic, the work of Johann Strauss or Arnold Schoenberg.

This panorama of Austria's cultural history is called Europa 1987, the latest in a series of festivals in Belgium celebrating European culture. Founded in 1958 as an outgrowth of the World's Fair in Brussels, Europa adopted the formula of featuring a single national culture in 1969; since then Europa festivals have been mounted roughly every other year. At the last Europa festival two years ago, which drew more than a million visitors, the theme was Spain. Europa's organizers described it as the biggest Spanish cultural event ever held outside that country.

The current Europa is also unique as an opportunity to sense the character and continuity of Vienna's perennial fascination with baroque forms. The gem-studded regalia of the Order of the Golden Fleece are refracted in the stylized robes of Klimt's figures, the music of Schoenberg has expressionistic echoes in the raw paintings of Kokoschka, the Wiener Werkstätte's silverware is more at

home in a courtly decor than in the functional settings associated with the Bauhaus.

The scale of Europa offers relief, paradoxically, from the overwhelming intensity and volume of normal blockbuster shows. In contrast to the big Vienna shows in recent years, Europa's plethora of single-theme shows provides more extensive treatment of each artist's work, more time to digest it before moving on to another show and often more scope for helpful commentary about the work itself. (A 20-minute film at the Klimt exhibit, for example, brings out clearly the three periods of his career: an initial attempt to bring to life neo-classical 19th-century realism, then the formalistic style for which he is best known and which he adopted after seeing the Byzantine frescoes in Ravenna and finally the more plastic and more mystical late paintings in a style influenced by his exposure to the Impressionists.)

There is breathing space, literally, because some of the best exhibitions are outside the capital in other cities — for example, a stunning selection from the Albertina is on show in Antwerp. Most are less than an hour's train ride from Brussels.



From "The Golden Fleece."

The exhibitions are an opportunity to visit these towns, which have their own artistic treasures and gastronomic pleasures. Ghent, for example, offers both an extraordinary Van Eyck alterpiece and one of Belgium's supreme restaurants, Apicius, whose owner-chef is a talented alumnus of Brussels's three-star Villa Lorraine restaurant. Antwerp offers its Ensor collections and restaurants with Belgian specialties at lower prices than Brussels.

To help visitors afford these restaurants, Europa has arranged cut-rate fares and hotel accommodation for one-day or weekend trips to the festival from most European countries. Details can be obtained from the cultural sections of Belgian embassies or from Europa Belgium, Rue Royale 10, Brussels, tel: 513-1876. Europa continues until Dec. 16.

INTERNATIONAL ARTS GUIDE

DENMARK

COPENHAGEN:
•Louisiana Museum, Humlebaek (tel: 02.19.07.20).
— To Nov. 29: Pre-Colombian Art of Mexico: 300 objects in gold, pottery and stone from national collections in Mexico and 21 museums in Europe and the U.S.

ENGLAND

LONDON:
•Hayward Gallery (tel: 928.57.08).
— To Jan. 10: Diego Rivera: a retrospective of the Mexican painter's work includes examples of his murals, drawings and cubist era works.
•National Portrait Gallery (tel: 556.89.21).
— Oct. 30-Jan. 10: Portraits of European royalty by German-born painter Franz Xaver Winterhalter

(1805-1873): 80 works from collections worldwide.
•Imperial War Museum (tel: 735.89.22).
— To Jan. 17: An exhibition of 58 Soviet posters from 1917-1945, in conjunction with the 70th anniversary of the October Revolution.
•Tate Gallery (tel: 821.13.13).
— To Jan. 3: Manners and Morals — Hogarth and British Painting 1700-1760: 200 works, including more than 30 by Hogarth and early works by Gainsborough and Reynolds.

— To Dec. 27: Turner and the Channel: watercolors, sketchbooks and prints (c. 1845) including works on loan from private collections.
•Victoria and Albert Museum (tel: 589.63.71).
— To Feb. 1: 100 photographs of Britain's royal family by Cecil Beaton taken between 1939-1970.

FRANCE

CAEN:
•Musée de Normandie (tel: 31.85.28.63).
— To Jan. 4: The Vikings — From Norway to Normandy. Viking artifacts from France and the Bergen Museum in Norway.

PARIS:
•Centre Georges Pompidou (tel: 47.77.13.33).
— To Jan. 3: A major retrospective celebrating the centenary of Le Corbusier (1897-1965), with over 350 drawings, 60 models, 300 photographs and diverse art works by the architect.

— To Jan. 11: Lucio Fontana, a retrospective. Sculpture, ceramics and drawings are among 150 works, the earliest from the 1920s.
•Bibliothèque Nationale (tel: 42.61.82.83).
— To Nov. 2: The Print in France, 16th-19th century, 300 works by the outstanding French printmakers from the collection of the Bibliothèque.

•Grand Palais (tel: 42.61.54.10).
— To Jan. 4: A Fraagonard retrospective comprising 350 works — paintings, drawings, and engravings organized in collaboration with the Metropolitan Museum of Art in New York.
•Musée de la Publicité (tel: 42.46.13.09).
— To Nov. 9: Rare Art Nouveau poster-art: Montmartre artists work from the Viennese Secession, Catalan and American works.

•Musée du Petit Palais (tel: 42.65.12.73).
— To Jan. 3: From Greco to Picasso: 150 paintings including 60 from the Prado representing Spanish art of 15th-19th century.
•Musée d'Orsay (tel: 45.49.48.14).
— To Jan. 3: Chicago, Birth of a Metropolis, 1872-1922. Architectural drawings and models, photographs, art and objects of design.

GERMANY

BERLIN:
•Martin Gropius-Bau (tel: 21.22.21.23).
— To Nov. 22: Berlin-Berlin: The central exhibition of the city's 750th anniversary celebrations: 4000 books, art works, documents

and artifacts relating to Berlin's history.
— To Nov. 22: The City and I: Berlin and its inhabitants reflected in 20th century German art.
•Nationalgalerie (tel: 2.66.60).
— To Jan. 3: Alberto Giacometti: a retrospective comprising 110 sculptures, 200 drawings and 40 paintings.
•Berlin Museum (tel: 25.86.1).
— To Nov. 1: Berlin in painting from the 17th century to the present.

COLOGNE:
•Josef-Haubrich-Kunsthalle (tel: 221.23.35).
— To Nov. 8: Henri de Toulouse-Lautrec (1864-1901): the artist's collected graphic work.
•Wallraf-Richartz-Museum (tel: 2.21.23.79).
— To Jan. 10: Triumph and Death of Heroes: history painting with other graphic works from Rubens to Manet; over 150 works from collections in Europe and abroad.

FRANKFURT:
•Städtische Galerie im Städel (tel: 61.70.92).
— To Jan. 10: A retrospective of Delacroix paintings, recently on view in Zurich, includes about 100 works.

HAMBURG:
•Hamburger Kunsthalle (tel: 24.82.5).
— To Nov. 15: The theme of War and Peace from the Napoleonic wars to the present manifested in German and Russian Art: Over 300 works (paintings, drawings, prints and sculpture) arranged chronologically.

HILDESHEIM:
•Roemer-Pelizaeus Museum (tel: 1.59.79).
— To Nov. 29: Egypt's Rise to World Power: 300 archaeological treasures from the first 150 years of the New Kingdom (1550-1400 B.C.), including many pieces loaned by other museums.

MÜNICH:
•Museum für Völkerkunde (tel: 22.48.44).
— To Dec. 31: Yemen — The Land of Sheba: archaeological finds illustrate 3,000 years of art and culture in southern Arabia.

ITALY

FLORENCE:
•Palazzo Castellani (tel: 293.493).
— To Jan. 9, 1988: The Age of Galileo: The Golden Age of Science in Tuscany, illustrates scientific developments centered around the lifetime of Galileo (1564-1642).
ROME:
•Tel: 67.82.86.62.
— To Nov. 15: Sport in the Ancient World: ancient statues of athletes in marble and bronze.

THE NETHERLANDS

AMSTERDAM:
•Rijksmuseum (tel: 63.21.21).
— To Jan. 3: Dutch Masters of Landscape: a retrospective of 17th c. Dutch landscape painting, with nearly 100 paintings from 30 European and 20 American museums, by van Goyen, van Ruysdael, Rembrandt, Albert Cuyp and Meindert Hobbema.
•Stedelijk Museum (tel: 573.29.11).
— Oct 31-Dec. 13: Cesar Domela: abstract paintings and reliefs since 1923.

THE HAGUE:
•Gemeentemuseum (tel: 70.51.41.81).
— To Nov. 22: The Spiritual in Art: the influence of spiritual and mystical movements on abstract painting 1890-1985. Some 250 works including paintings by Kandinsky, Kupka, Malevich, Mondrian, Klee. (Organized in conjunction with the Los Angeles County Museum).

HERTOGENBOSCH:
•Noordbrabant Museum (tel: 13.38.34).
— Nov. 3-Jan. 10: Van Gogh in Brabant, features 45 paintings and 55 drawings from private collections in Europe and the U.S. and focus on Van Gogh's work 1881-1885 in his native land.

SPAIN

BARCELONA:
•Fundació Caixa de Pensions (tel: 258.89.03).
— To Nov. 8: Studies of Nature: 50 drawings by Leonardo, on loan from the British royal collection at Windsor Castle.

MADRID:
•Fundación Juan March (tel: 435.42.40).
— To Jan. 3: 54 works by Mark Rothko from the recent Rothko retrospective at the Tate Gallery in London.

SWITZERLAND

BERN:
•Kunstmuseum (tel: 22.09.44).
— To Jan. 3: Paul Klee — Life and Work: already seen in New York and Cleveland, the only European showing of this exhibition of 300 Klee paintings, aquarelles, and drawings.
GENEVA:
•Musée Rath (tel: 28.56.16).
— To Jan. 31: Art, photographs and documents from the Paris art review Minotaure (1933-39) by artists including André Masson, Chirico, Picasso, Dalí, Tanguy, Max Ernst, Magritte, Man Ray, Braque.

LUGANO:
•Villa Favorita (tel: 091.521.741).
— To Nov. 15: 40 Impressionist and Postimpressionist paintings



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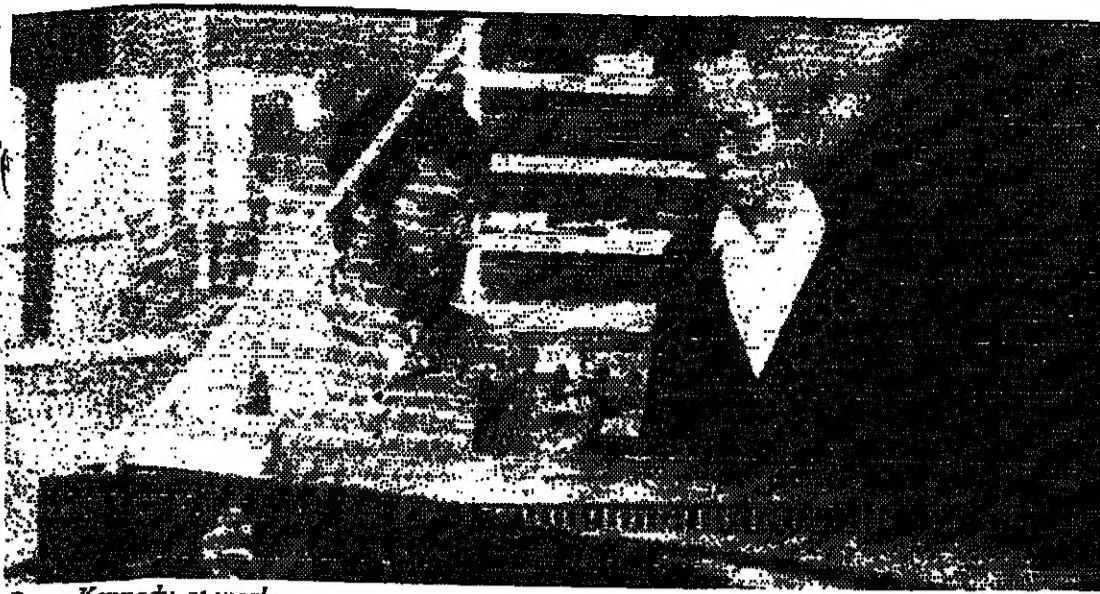
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Bruce Kennedy at work.

Making 'Old' Harpsichords

by Thomas Netter

CHATEAU D'OEX, Switzerland — Bruce Kennedy remembers precisely when he committed himself to becoming a maker of harpsichords.

"I had just met my wife-to-be Kirsti while visiting Lausanne, and we passed by a shop window with a harpsichord in it. I said, 'I'm going to make one of those one day.' She looked at me like I was crazy."

Seven years and about 45 harpsichords later, Kennedy is annually producing seven or eight classical instruments modeled on 18th-century designs in the shop that bears his name just outside this isolated mountain village in Switzerland.

Kennedy, 34, who comes from a suburb of Philadelphia, has become one of the foremost craftsmen in a trade that is as sparsely populated as the valley, and as old as the local Swiss red spruce and other woods that give the instruments their special character and resonance.

"Some harpsichords sound good, but don't work so well, and some work well, but don't sound so good," says Robert Wooley, professor of the harpsichord at the Royal College of Music in London, who visited Kennedy's shop recently. "Bruce very much represents the classical approach, but apart from producing high quality instruments, what makes him unique, I think, is his use of old wood. He combines good technical craftsmanship with mechanical excellence and an excellent feeling for sound."

IT is this feeling for sound that distinguishes Kennedy's instruments from those built by a handful of other craftsmen in the eyes of such renowned players as Gustav Leonhardt of The Netherlands and well-

heeled amateur aficionados like William F. Buckley who will pay steep prices for such hand-made instruments. Although harpsichords built in the tradition of the 18th century remain a rarity in these days of kits and machine-fabricated instruments, what sets the harpsichord manufactured by Kennedy apart is the sound from a hand-hewn soundboard made of 300-year-old Swiss red spruce.

"Our wood is tailored for the performing trade, and musicians like that are not looking for factory-made instruments," Kennedy says. "So the musicians come down here, already knowing about the wood, and have a very precise idea of what they're looking for."

It was the prospect of a supply of fine old wood that helped motivate Kennedy to settle here with his Scandinavian wife in 1980. There was also the beauty of the valley and the village of 2,800 people, and what he calls the cooperative attitude of Swiss bankers not in a hurry to recoup an investment in a young former pre-med student and pianist who had already built a score of instruments during his American apprenticeship as first a keyboard maker and then instruments builder.

ALTHOUGH the soundboard of a harpsichord should be at least 300 years old to have what Kennedy calls the proper resonance, the supply is kept adequate through the dismantling of ancient chalets and the availability of wood that grows on the north side of the valley at a height of 1,200 to 1,400 meters (about 4,000 to 4,600 feet) above sea level.

"The practice in the past and today is that's where you find the best soundboard wood," Kennedy says, explaining that wood growing higher or lower lacks the same sort of resonance. "The

peasants in this valley would naturally have used this kind of material for their chalets. We have wood in the shop which dates from 1545."

Using wood of such age and resonance has given a tone and quality to Kennedy's instruments that has won plaudits from musicians and scholars. It has also won Kennedy a growing number of contracts to produce concert-quality instruments at prices ranging from \$10,000 to \$23,000.

"It is essential for a really top maker to produce harpsichords that feel comfortable and work well, but they also must have a good sound," Wooley said. "Newer wood sounds too bright, while older wood instruments have a much smoother sound."

Such passion for an original, 18th-century sound extends to Kennedy's use of all the materials that go into his instruments. To recreate the proper tone of old wire, for example, he sent samples of 18th-century harpsichord wire to researchers in England who discovered they were made of iron with a touch of phosphorus — a process long discontinued. Now, a craftsman named Malcolm Rose in England produces the 18th-century-type wire without the carbon of today's steel, a process Kennedy describes as "getting pretty close to the original stuff."

The wires are held by pins in a plank of red oak, and plucked by a jack made of a pear-wood body and a holly-wood tongue with wild boar bristle springs. (The jacks could be made of plastic, as most are, but are instead hand-made by Macherer, the apprentice.) Keyboards are made of linden, usually covered with ebony, boxwood or bone, the latter imported from France.

Thomas Netter, a Geneva-based journalist, is joining WHO.

WEEKEND

A Small Revolution in France

by Erik de Mauny

CAEN, France — A small revolution is taking place in French schools. Its effects may not be apparent to the casual observer, since it so far involves only a relatively small number of parents and pupils in three widely scattered centers. Nevertheless, it is a genuine revolution, which began with the decision to introduce music as a major part of the curriculum in certain selected primary schools, thus giving a place of honor to a subject conspicuous by its absence from the French educational scene at large.

The experiment was launched two years ago by the regional music conservatories in Tours and Colmar in association with local state primary schools. In each of these schools, a *maitrise*, or choral department, was created, with staff from the conservatory providing a basic musical training in daily periods for children 8 years old and up, while the school itself remained responsible for their general education.

Caen has now gone a step further. At a local primary school, morning classes are held from Monday through Saturday not only in music but also for dance, amounting to some 10 hours a week in all. So far, this combination makes the Caen experiment unique, and it is already expanding. When it started last year it covered three classes of 8-to-10-year-olds. This year, with the addition of two more teaching posts, making four in all, the intake will be enlarged to include children of up to 12 or 13 in the first year of the secondary cycle. With the first two hours of each morning taken up with music and dance, the children then follow the rest of their lessons within the normal school timetable. This means they are fully stretched, but there have been no complaints.

The prime mover in the Caen experiment is an Englishman, Robert Weddle, formerly organist at Coventry Cathedral and director of music at the Edinburgh Academy, who came to the Calvados department nearly eight years ago at the invitation of the Caen conservatory, where he is professor of choral singing. In that post, and as conductor of the local choral society, he has been responsible for many outstanding instrumental and choral performances, covering an unusually wide range, from Baroque music, including a memorable production of three short oratorios by the 17th-century Italian composer Giacomo Carissimi, to a recent collaboration, at the Gibellina Festival in Sicily in August on a new version of Jannis Xenakis' "Oresteia," the choir of over 200 including a group from Normandy.



Robert Weddle, lower left, is developing choral voices in a lively and imaginative way.

ROBERT Weddle now directs the music classes in the primary school, and is developing the boys' voices by closely relating practice and musical theory in a lively and imaginative way far removed from the traditional teaching of solfège in France. Danielle Bouhet-Darmon is in charge of the dancing, with classes in classical and modern dance. Here, the girls are in a majority, but the boys also join in, and the girls have their own singing classes.

It was perhaps a greater achievement on his part to have enlisted the support of the Ministry of National Education and the Ministry of Culture from the outset. The two minis-

tries are not always known to work in close harmony — but on this occasion they did. In particular, the project kindled the imagination of the chief inspector of education in Caen, Franck Michel, who did all he could to secure funds for an adequate number of teaching posts at a time of general retrenchment.

In the school year that has just started, a further expansion is planned, with courses in music and dance being gradually extended to take in the first four years of secondary education. A program of regular concerts is also being drawn up. Above all, with Caen, Tours and Colmar having blazed the trail, there

seems to be no good reason why other centers should not embark on similar experiments. It is already beginning to happen. For reasons not unconnected with national prestige, plans are under way for the creation of a *maitrise* at Versailles. This will provide the same basic musical education as the other centers, but it will have a further aim: To train boy choristers to sing in the royal chapel of the former palace of the Sun King.

Erik de Mauny is a former BBC correspondent covering France, the Soviet Union and the United States. He lives in Normandy.

'Dancers' Continued from page 7

member, is a teen-aged replacement for an injured corps member whose innocence attracts his notice. She is picked up at the airport by a T-shirted Italian, Paolo, played by Leandro Amato.

It won't take balletgoers long to realize that in "real life" Tony is Albrecht, Lisa is Giselle and Paolo is Hilarion, the woodcutter in love with Giselle. Bathilde, the princess who is Albrecht's fiancée, is transformed into a jet-set, bleached-blond contessa, played in an effectively overblown cameo by Mariangela Melato. The counterpart of Wilfrid, Albrecht's retainer, is called Patrick and is played persuasively and interestingly by Tommy Rall, once a mere slip of a boy in "Seven Brides for Seven Brothers." What he has to tell Tony may sound corny, but it also happens to be in line with Albrecht's predicament — namely, that the 19th-century Romantic hero is a superfluous man. Albrecht is empty and cynical. But true love can reform him and give him something to live for. He seduces the peasant girl Giselle while engaged to Bathilde. In the supernatural world of the ballet's second act, Giselle's ghost (Willi) forgives him, and he is redeemed.

Ros's symbolism is obvious, but does everyone catch it? Tony looks at a model of the set of "Giselle." The Albrecht cutout has fallen. It lies face down. At the end of the film, Tony will put it right.

Toscanini Continued from page 7

in 1965. In an example of art imitating life, Taylor will be making her first film appearance in seven years.

Zefferelli believes that Toscanini can be a hero to a contemporary audience because he was "a priest, a minister, a servant who respectfully interpreted the works of others, making them come to life with his own talents."

In the director's mind this is a negative reflection on the state of the world. "People today are nicer than they were in the past," he says, "but they are not as creative; they elaborate on the achievements of the past. We do not make creative giants anymore, and I don't think people could relate to them if we did."

Battisto describes his protagonist in similar terms. A maker of musical instruments more famous than many composers, a man

IN the beginning, Tony tells Patrick his view of Giselle and Albrecht. This is the first time we hear Baryshnikov and others talking the ballet through. It is the film's way of explaining the story to a lay audience — fragmented but clear.

Like Albrecht, Tony goes from woman to woman, but needs no feudal right. Every woman apparently wants to sleep with a big star. Alessandra Ferri, as the dancer who performs the title role of Giselle in the ballet, bears him joke about having no feelings. Like the ballet's hero, Tony feels empty — or so he tells Patrick, who sees no passion in Tony's dancing and adds, "You haven't gotten mature, just professional."

In a rehearsal scene, Lynn Seymour (the Canadian star of Britain's Royal Ballet during the 1960s and '70s) and Baryshnikov give an exposition of the action of Act I. As ballet mistress, Seymour also dances Giselle's mother in the film. Those familiar with Seymour's divorces might get the inside joke when she describes Giselle's mother as a single parent with all the attendant problems.

There is a funny sequence when Victor Barbee, the dancer portraying Hilarion, replete with thick Southern accent, sees his character as tender rather than the "butch" figure Tony commands him to be. Hilarion kills rabbits all day and he, Albrecht, is the only aristocrat around, Tony shouts.

once portrayed as a diabolic creator of secret formulas, Antonio Stradivari will be seen as "an artisan with a fire for perfection who is fixated on exercising his craft as best he can," Battisto says.

There are love interests in the Toscanini and Stradivari movies that serve to fill out the characterizations, and in both cases the protagonists happily resolve conflicts between their artistic obsessions and the demands of love.

Howell summed up the appeal of "The Young Toscanini" more simply: "This is certainly not a teen movie, but it will appeal to the younger generation because it is about this kid who never quits and puts up with a lot of pressure and succeeds, kind of like 'Rocky' with music."

A whiff of a subplot uses Barbee's character, Wade, to explain why Nadine, who has the ballet role of Myrtha, hates men. Leslie Browne's performance is wryly bitter. Nadine trundles along the child fathered by Wade. And when Tony sharply criticizes Myrtha in rehearsal, it is obvious the star-director and the dancer have had a nasty affair. Myrtha carries a sprig of rosemary for remembrance. Instead of looking "like a tired stewardess," Baryshnikov says, Browne should look as if she wants to kill someone. "Remember what men have done to you," he says, and Nadine glares. "How could I forget."

MYRTHA and the Willis, all jilted maidens, hate men so much in "Giselle" that they dance them by death. No scene in the film is gratuitous. Certainly the most engaging one is the Italian country lunch held amid the vineyards by Paolo's peasant family for the ballet company. This is the ballet's grape-harvest festival, at which Giselle is crowned. And when Tony discovers Lisa and takes her to a castle, the hunting-party music of Act II accompanies a view of the castle in the stage set.

Paolo, like Hilarion, tells Lisa that Tony (Albrecht) is engaged to the contessa. She cries while onstage during Ferri's mad scene. She runs away, and we do not know if she is dead, like the ballet "Giselle," until she comes back. What she has done should remain a punchline, but it is very much something someone of her generation would do. In any case, she has not died of a broken heart. Instead, she has come back to look at Tony's second-act solos in "Giselle" and admire his greatness as a dancer.

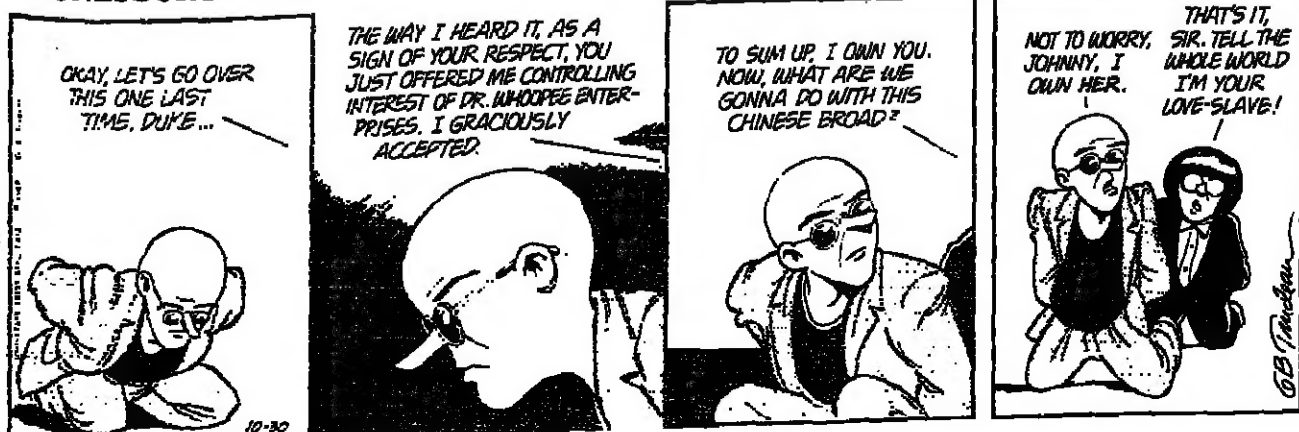
Giselle's ghost forgives Albrecht; he emerges purified and regenerated. Tony's fascination with the innocent Lisa has given him a new emotional commitment to his dancing. When he met her, he sent her an ice-cream cake. Persuasively, she assured him she wouldn't gain weight in an unforgettable line: "It's OK — I metabolize very well." In the end, she forgives him for his art.

Few seem able to forgive the film for cutting up "Giselle." Actually, all the dramatic highpoints are present. Act I has been reduced to its mime passages. Act II omits Hilarion's dances and part of Myrtha's solos but gives us a good bit of dancing by the Willis and Ferri and Baryshnikov. And besides, nobody goes to the movies to see "Giselle."

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WALL STREET WATCH

A New Set of Favorites In an Upside Down Market

By VARTANIG G. VARTAN

New York Times Service

NEW YORK — Stocks that benefit from lower interest rates and slower economic growth have bounced back into favor as a result of the equity market's brutal sell-off. Last summer the popularity of these groups — utilities, foods, beverages and tobacco — began to wane as cyclical issues with prospects of sharper earnings gains took over the leadership on Wall Street.

"Now you are seeing people run to these safe-haven, or defensive, stocks," said A. Marshall Acuff Jr., portfolio strategist for Smith Barney, Harris Upham & Co. "That is typical when investors become very worried about the equity market and prospects for corporate earnings growth."

In the market, it is a sort of ever-running, hare and tortoise race. One present rationale is that earnings growth in this group of stocks — known to some as disinflation stocks — may not sparkle, but they will keep edging ahead even if the economy sputters.

"The most likely contender to be included among future stock market leadership is the consumer staples group," said Greg Smith, strategist for Prudential-Bache Securities. "In a weak economy, spending on consumer staples tends to hold up fairly well."

Utility issues carry the added attraction of relatively high dividends at a time when yields are increasingly important to many investors.

In the electric utility sector, Smith Barney has recommended Baltimore Gas & Electric, Consolidated Edison, Dominion Resources and Houston Industries. Among telephone utilities, the firm likes Ameritech, US West and Centel. It also regards PepsiCo, Philip Morris, Glaxo, Marion Laboratories, Upjohn and Scott Paper as buys.

A similar theme is sounded by John D. Connolly, chairman of the investment policy committee at Dean Witter Reynolds. He said, "We're playing defense."

LAST WEEK this strategy called for adding PepsiCo, General Mills, Kellogg and Philip Morris to the firm's recommended list. Dean Witter also likes the electric utilities, but it looks with far less favor on basic resource and capital goods issues.

Elaine Garzarelli, director of sector analysis at Shearman Lehman Brothers, turned negative on the stock market in September after her mathematical models based on 13 economic factors started to flash danger signals.

"We are still in bearish territory, but things are getting better," she said. "Before the washout we still need to see some further improvement in the dividend yield of common stocks."

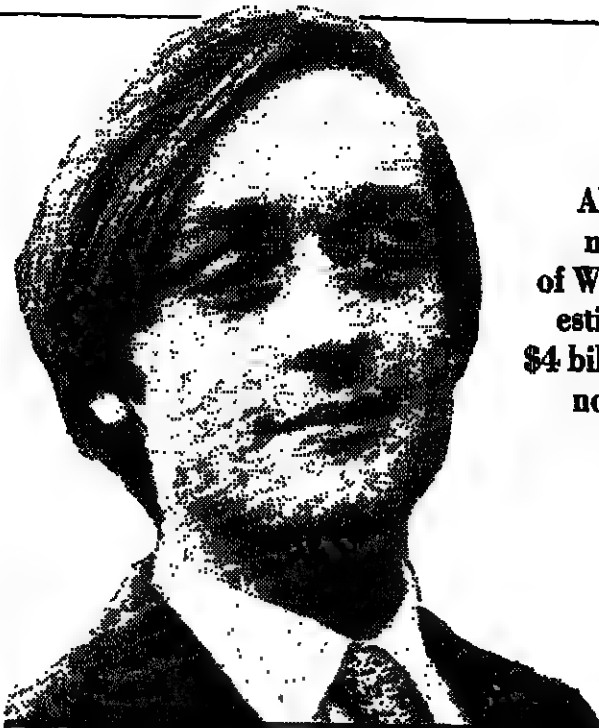
Although she has no way of knowing when stock prices will turn up again, Ms. Garzarelli said, "When the market rebounds, cyclical stocks will go up faster than disinflation stocks."

Robert S. Salomon Jr., director of equity research at Salomon Brothers, does not rely on the safe-haven approach to investing. "I think the economy will show a good deal of resilience in 1988, although there will be some slowing of growth," he said. Accordingly, he believes that the capital spending area still offers the best prospects for earnings growth.

The firm's recommendations in this area range from Martin Marietta, Intergraph and Caterpillar to General Electric, Digital Equipment and International Business Machines. Other favorites include Lotus Development, Advanced Micro Devices, Hewlett-Packard, Motorola and Texas Instruments.

Telephone issues on the firm's recommended list are American Telephone & Telegraph, MCI Communications, Bell Atlantic and Pacific Telesis. Last week, while the Dow Jones industrial average tumbled 13.2 percent, telephone utilities eased 1.3 percent and the electric dived only 1 percent.

Consumer staples look attractive in a weak economy, one strategist says.



Although he is the richest man in Britain, the Duke of Westminster says a recent estimate of his net worth at \$4 billion is 'absolute fiction, nothing more than gazing into crystal balls.'

Man of Property Remains Unruffled Stock Plunge Has Yet to Affect Duke's Vast Holdings

By Warren Geder

International Herald Tribune

LONDON — Gerald Cavendish Grosvenor, the sixth Duke of Westminster and Britain's richest man, is unruffled by the recent plunge in share prices on world markets. For it is in real property, not stock portfolios, that the Grosvenor family fortune, stretching back for centuries, has been built.

While stock markets were plunging, the 35-year-old duke was out on a two-week field exercise in West Germany as an officer with a regiment of Britain's volunteer Territorial Army. He observed during a recent interview that a "tempest" seemed to have blown through the major stock exchanges while he had been "riding around in armored cars" on the north plains of Germany.

The contrast doubtless would have pleased his ancestors, landed gentry whose genealogy stretches back to the barons of William the Conqueror. In the duke's wood-paneled London office near Grosvenor Square, an early 19th-century portrait of an ancestor he describes as "Field Marshal Grosvenor" is prominently displayed. The melancholy side eyes in the portrait are a salient feature of the present duke, who also is distinguished by a lock of hair that hangs stubbornly over his right eye.

"That's one of my more august ancestors, whom, I am sure, I have not been able to emulate," the duke says in his self-deprecating way, despite his 14 years' service with the Territorial Army. A devoted outdoorsman, the duke says he spends about 100 days a year with the Territorials. As a

major, he commands an armored squadron of 144 men.

The duke seems more bothered by the cold he caught during the damp field exercises than by the storm ravaging financial markets.

"It's difficult to tell how and when the storm will blow through the property market," he says between puffs on the ever-present cigarette. "Thankfully, we're not heavily invested in the stock market."

Victoria Mitchell, deputy chairman of Saville's Residential Ltd., a real estate firm, says the booming London real estate market "won't be affected much by stock market weakness for at least three months" — if at all.

The crown jewels of the duke's commercial and residential holdings are 300 acres (120 hectares) of West London's Mayfair and Belgrave districts, where real estate prices have skyrocketed from 25 to 40 percent annually in recent years.

As John James, an executive trustee of the duke's holding company, Grosvenor Estate Holdings, observed, British real estate prices "have never really dipped, they have plateaued, but then picked up strongly again."

The Grosvenor family acquired the choice London property back in 1677, when Sir Thomas Grosvenor, baronet and member of Parliament, married 12-year-old Mary Davies. The land — then marshes and cabbage patches — came as her dowry. At the time, the value of the tract was around £10,000.

In Mayfair, where Grosvenor Estate owns 100

See DUKE, Page 15

Share Prices Advance In London and Paris

Key Index Withstands Jitters on BP

The Associated Press

LONDON — Prices on the London Stock Exchange moved higher Thursday, overcoming concern about a government decision on whether to proceed with the huge sale to the public of shares in British Petroleum Co. Trading was slack.

The Financial Times-Stock Exchange index of 100 leading shares rose 23.6 points to close at 1,682. On Wednesday, the index had registered a decline of 44.6 points.

News reports said the U.S. and Canadian governments had pressed Nigel Lawson, the chancellor of the Exchequer, to stop the BP sale because underwriters in the two countries faced huge paper losses on new BP shares at a time when they have been battered by two weeks of market turmoil.

The Times of London quoted U.S. Treasury sources as saying that U.S. officials had urged the British government to stop the sale.

In Canada, Finance Minister Michael Wilson said: "This deal should not go ahead, and we have made our views known to the British government."

Meanwhile, the U.S. dollar's slump on foreign-exchange markets raised speculation that interest rates may be lowered in Britain, tending to make the pound a less attractive currency and thus bolstering the dollar.

The Guardian newspaper said interest rates eased in London, pointing to a half-point cut in the base lending rate to 9 percent. The Times also quoted analysts who predicted a half-point cut.

The falling dollar and sharply lower closings in the Tokyo and Hong Kong share markets overnight were a negative factor in early trading Thursday but have been pushed to the background for the moment by the speculation that the government may lower interest rates.



ANOTHER FALL — A trader at the Tokyo Stock Exchange watching Thursday as stocks slid lower. Share prices across Asia were driven down along with a drop in the dollar. Page 13.

Values Lower Elsewhere In Europe

Compiled by Our Staff From Dispatches

PARIS — French share prices showed gains in moderately active late trading on Thursday, partly recouping Wednesday's heavy losses, dealers said.

Elsewhere in Europe, markets in Zurich, Brussels and Frankfurt were down, and the Madrid index had its sharpest one-day fall.

Dealers in Paris said market sentiment was aided by a firmer opening on Wall Street and a slight recovery by the dollar. Remarks by Finance Minister Edouard Balladur, calling for an urgent G-7 meeting, also lent support.

The all-share Bourse indicator posted a 4.36 percent rise at the close.

In Zurich, trading was relatively quiet Thursday as nervousness seemed to ease slightly. The Zurich S.B.C. index fell 4.20, a drop of 0.84 percent.

In Brussels, the foreign investors who bought heavily into the market earlier this year started to bail out on Wednesday, and on Thursday the sell-off continued.

When trading ended most stocks had lost more than 10 percent of their value in just two days. The Brussels spot index was down 253.13, or 6.34 percent, at the end of trading Thursday.

In Frankfurt, share prices were lower, but off the worst levels of the session. The Commerzbank index lost 69.80 points, or 4.66 percent.

Share values plunged sharply on the Madrid stock exchange as Spanish and foreign investors tried to unload shares but could not find buyers, brokers said.

The general index fell 21.71 points, wiping about 9.25 percent off the market's value.

"Everyone wants to sell everything," said Monica Morales, a director at the Investor finance house. "Some investors want to unwind positions built up over six months in one day." (Reuters, AP)

Bank Lending Doubles To Record \$70 Billion

Gain Belies 2d-Quarter Sluggishness

By Carl Gewirtz

International Herald Tribune

PARIS — Perhaps it was simply prudent covering of risks, what in the jargon is called hedging, or maybe it was outright speculation. There is no way to know. What is certain is that one of the other fueled a very rapid expansion in international banking activity in the second quarter of this year.

Interbank activity, in which banks lend to one another, surged to \$173 billion — more than double the pace registered in either the previous quarter or the year-earlier period, the Bank for International Settlements reported Thursday.

The Basel-based clearing house for the world's central banks said in its regular quarterly review of the international banking market that total final lending by the banks set a quarterly record of \$70 billion, up \$5 billion from the first quarter and more than double the pace of a year earlier.

In the first six months of 1987, the total of new credits channeled through the market was two and a half times greater than in the year-earlier period.

What is so striking about these figures is the discrepancy with what was happening in the real world. Economic expansion in the major industrialized countries was chugging along at a sluggish 2.5 percent annual rate, according to estimates, and spending by business on new plant and equipment has been especially lackluster. So who was borrowing all this money, and why?

The BIS report does not directly answer that question. But it clearly indicates where to look when it explains that the stepped-up lending by U.S. banks "was related to the pronounced weakness of the dollar."

"In April, expectations of a further dollar decline boosted Euro-dollar borrowing for hedging or outright speculation," it said. This in turn pushed up Euro-dollar interest rates relative to those in the U.S. market, and therefore pulled money out of the United States into the Euro market.

The data collected by the BIS are not so refined that one can disentangle how the borrowed funds were used. But analysts say it is clear that:

- Multinational companies were borrowing dollars, anticipating that the cost in local currency of repaying the loan would decline as the value of the dollar dropped. The cash, not really needed, would then be invested in dollar securities.

- Investors, following the example set by Japan last year, insulated

their holdings of dollar-denominated securities against foreign-exchange losses by financing investments with borrowed dollars rather than outlays in local currency.

The Japanese were the first to adopt this strategy and remain the biggest players. Of the \$70 billion increase in final lending in the second quarter, \$61 billion was lent to borrowers in the industrialized countries. The Japanese alone accounted for over half of that figure.

Lending to nonbanks in Japan rose by \$26 billion.

"U.K. nonbank entities were also sizable takers of international funds, much of which were used to finance purchases of international securities," the BIS report said.

"They borrowed \$8.4 billion in foreign currency from banks in Britain and a further \$3.1 billion" from other banks.

In the Netherlands, nonbanks obtained \$3.5 billion from banks abroad.

The report noted that banks in France increased their lending by \$14 billion in the second quarter. Lending by banks in Belgium, the Netherlands and Luxembourg rose by a combined \$16 billion, and in West Germany by \$11 billion.

U.S. banks, which in the first quarter reduced their interbank lending by \$19 billion, were suppliers of funds — \$37 billion — in the second quarter. However, Japanese banks remained the most active in the market, accounting for \$81 billion of the increase in interbank activity.

The rapid growth in the international activities of Japanese banks, the report said, was influenced by several factors:

- The banks expanded their "already sizable portfolio investments in foreign-currency securities."

- The banks "continued to compete with one another with respect to the size of their balance sheet."

- The demand for funds from the nonbank sector was strong.

The BIS report also noted an acceleration in deposits received from developing countries outside the Organization of Petroleum Exporting Countries, up \$14.6 billion, and from OPEC countries, up \$7.4 billion.

Deposits from Latin America rose by \$5.7 billion, thanks largely to an increase of \$4 billion from Mexico stemming from a return of flight capital.

But countries in Asia registered the biggest increase in deposits, nearly \$8 billion. China, South Korea and Taiwan accounted for the bulk of this.

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Exceptional service in private banking



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Currency Rates

Cross Rates	Oct. 29
American \$	1.36
British pound	1.62
French franc	6.55
German mark	1.36
Italian lira	2.36
Japanese yen	163.60
Netherlands guilder	2.20
Spanish peseta	166.64
Swiss franc	1.48
West German mark	1.36
Yen	163.60

Other Dollar Values

Currency	Per \$	Currency	Per \$
Australian dollar	0.76	Portuguese escudo	200.48
Belgian franc	40.33	Spanish peseta	166.64
British pound	1.62	Swiss franc	1.48
Canadian dollar	0.71	West German mark	1.36
Chinese yuan	8.27	Yen	163.60
Dutch guilder	2.20		
French franc	6.55		
Italian lira	2.36		
Japanese yen	163.60		
Netherlands guilder	2.20		
Portuguese escudo	200.48		
Spanish peseta	166.64		
Swiss franc	1.48		
West German mark	1.36		
Yen	163.60		

New York rates unless marked (local rates)

Forward Rates

Currency	30-day	60-day	90-day
American \$	1.36	1.36	1.36
British pound	1.62	1.62	1.62
French franc	6.55	6.55	6.55
German mark	1.36	1.36	1.36
Italian lira	2.36	2.36	2.36
Japanese yen	163.60	163.60	163.60
Netherlands guilder	2.20	2.20	2.20
Spanish peseta	166.64	166.64	166.64
Swiss franc	1.48	1.48	1.48
West German mark	1.36	1.36	1.36
Yen	163.60	163.60	163.60

Source: American Express Bank (Switzerland) AG, New York, Oct. 29, 1987. Rates are for 100 Swiss francs (100 SFR) and 100 U.S. dollars (100 USD).

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MARKETS SEEK DIRECTION: Stock Exchanges Wary as the Dollar Heads Lower

Asian Markets
Tumble Along
With the Dollar

Compiled by Our Staff From Dispatches

TOKYO — Extreme turbulence in foreign-exchange markets prompted investors in Asia Thursday to dump their holdings on the region's three largest stock exchanges. Tokyo, Hong Kong and Sydney all saw sharp falls in share values.

On the Tokyo Stock Exchange, shares prices tumbled as the dollar fell 3.2 yen in Tokyo to finish at 137.55. With the flight from the dollar, the 225-share Nikkei average shed 543.64 yen to close at 22,033.89 yen. On Wednesday the index had dropped 257.43 yen.

The dollar's sharp fall drove down the prices of such export-oriented issues as Sony, Hitachi and TDK as trading began.

"There's great anxiety about the effect of a weaker dollar on Japan's

own economic recovery," said Simon Smithson, research manager at Kleinwort Benson International Inc.

He said most sectors of the market were "generally depressed by the prospect of an ever-weaker dollar and what that means for forcing the U.S. economy to slow down" and lowering the U.S. budget deficit.

In Hong Kong, investors were hard hit again Thursday as the main share index gave up 1 percent.

The Hang Seng index closed off 165.64 points at 2,204.52 after sliding more than 220 points earlier. Share prices broke through the 2,150 level in early trading, before swinging back up on local demand, brokers said.

Brokers said foreign institutions were trimming their portfolios and there was steady selling linked to expiring futures contracts. But others said that local investors, many of them families that control major Hong Kong firms, were buying shares they considered underpriced.

The currency crisis also swept markets in Australia and washed over into stock trading in Sydney, where stocks fell sharply after a record gain Wednesday.

Share values plunged in hectic selling on Thursday, wiping out almost all gains made the day before. Australian shares have lost nearly 90 billion dollars (\$61.4 billion) in 11 days.

The stock market's All Ordinaries index fell 102.2 points to close at 1,286.2.

Prime Minister Bob Hawke has said the market turmoil was not expected to lower Australia's living standards and his government's economic strategy would remain intact.

New Zealand's stock market joined in the steep decline Thursday, dropping to its lowest level in 15 months after another selling spree took 141 index points off the value of the market. Declines outnumbered rises by a 3-1 ratio to push the Barclays Index of the top 40 stocks to a low of 2,574 points, the lowest since July 1986.

(AFP, AP, Reuters)



A WAVE OF BUY ORDERS — Traders in Tokyo were busy Thursday as Japanese government bond prices soared on massive buying touched off by the yen's sharp increase against the dollar. In the futures market, the bellwether December contract climbed by the daily maximum limit of 2.10 yen to 105.80 yen to yield 5.122 percent.

Los Toros Flee the Mexican Market
After Eightfold Rise, Stock Index Loses Half Its Value

By Larry Rohrer

New York Times Service

MEXICO CITY — Throughout the boom months of 1987, the volatile Mexican stock market performed more spectacularly than any other in the world. But with bulls having turned to bears all around the globe, Mexico is now suffering the steepest, most rapid slide of any major exchange.

Between Jan. 1 and Oct. 5, the Mexican market rose eightfold, and Mexico City's Bolsa de Valores hit an all-time high of 387,000 points. But in the past 15 days of trading, the index has fallen by more than 50 percent, to 183,662, and investors and traders are braced for further plunges.

On Monday, the market fell a record 16.7 percent, exceeding even the decline recorded on "Black Monday" on Oct. 19. On Tuesday, it slipped another 14.5 percent, meaning that the market's value had fallen by almost \$2 billion from its estimated peak value of about \$6 billion earlier this month. Brokers, bankers and other analysts said the tailspin, which began

two weeks before Wall Street's big collapse on Oct. 19, was initially a "technical correction" stemming from purely local conditions. But now, with the plunge in stock prices around the world, there are widespread fears that events may be moving beyond anyone's control.

"The Bolsa has little to do with the real economy, even less so in Mexico than in other places," an American banker in Mexico City said this week. "But a panic psychology has definitely taken hold, and I don't know where it's going to stop."

Some members of the investment community believe that the government's intervention in the market earlier in the month rattled investors.

On Oct. 5, the Mexican government intervened in the market, ironically to prevent stocks from going through the roof. One day earlier, Carlos Salinas de Gortari, the budget and planning minister, had been named as candidate of the ruling Institutional Revolutionary Party in next year's presidential elections, and the market surged

7.5 percent in the first 90 minutes of trading.

The National Securities Commission said it had been forced to halt trading briefly twice that day to prevent "disorderly conditions" that "could lead the price index up to undesired levels." But market analysts said the action set a precedent that may have led some major players to reconsider their positions.

"By intervening, the government signaled to speculators that they could no longer automatically count on quick and gigantic increases," said one broker, who asked not to be identified.

Outwardly, Mexican officials are minimizing the significance of the Wall Street plunge. In a news conference last week, Manuel Somoza Alonso, president of the Mexican stock exchange, acknowledged the "psychological effect" of events in the United States, but he argued that the impact was unwarranted.

Mexico's own problems, however, are daunting. Incomes adjusted for inflation, have declined by 50 percent in the past five years. The peso has fallen from 24 to the dollar to more than 1,600. Annual inflation has climbed to a record 135 percent. And debt owed to other countries now totals more than \$100 billion.

N.Y. Broker
Seeks Capital
Infusion

Compiled by Our Staff From Dispatches

NEW YORK — L.F. Rothschild Holdings Inc., with the help of Salomon Brothers, has been looking for an infusion of capital either from a partner or buyer, Wall Street sources said.

Rothschild on Monday said it had a \$44 million trading loss in the first three weeks of this month, and Wall Street traders had speculated that the firm needed help to return it to health.

Rothschild's president, Andrew L. Berger, would not comment on whether the firm was seeking a buyer, but he acknowledged that Salomon was attempting to help it find financing.

Meanwhile, Haas Securities Corp., a relatively small Manhattan brokerage house with 12,000 customer accounts, on Wednesday became the fifth securities firm to shut in the aftermath of last week's stock market collapse.

A New York Stock Exchange spokesman said Haas had 12,000 customer accounts, including individuals and institutions.

"At no time were any of the customer accounts in jeopardy because of the firm closing," a spokesman for the exchange said. (Reuters, UPI)

Bilzerian Buys
Singer Stock,
Weighs Takeover

Reuters

NEW YORK — Bilzerian Partners said Thursday that it had acquired 9.99 percent of Singer Co. common stock and is evaluating the possibility of offering to acquire the company through a tender offer or merger.

Bilzerian Partners is a limited partnership whose general partners are Paul A. Bilzerian and his Biocast Acquisition Corp. Mr. Bilzerian said he had been acquiring Singer stock for several months, at an average cost of about \$43 per share.

Mr. Bilzerian, who said he had not talked to Singer management, said he was interested in Singer because it was a technology company with quality assets. He declined to identify his partners in the venture.

Singer, a sewing machine maker turned aerospace concern, had been the target of T. Boone Pickens, a Texas financier, during the summer.

Changes
Planned in
Hong Kong

Reuters

HONG KONG — Hong Kong's financial crisis may lead to some changes, but so far it has brought mostly frayed nerves, breast beating and demands for resignation in a frantic search for blame.

For most in the financial game, one thing is sure — the party's over. Stocks were once the darling of investors in the British colony, where bank accounts pay a meager 2.75 percent a year in interest.

Share prices had climbed this year to breathtaking heights, sending the Hang Seng index, the main market indicator, soaring.

And just about anyone could sell shares on the market. Even one of the colony's most lavish girlie bars, partly owned by the chairman of the stock exchange himself, Ronald Li, had plans to float shares.

Companies that sold stock publicly could expect a huge flood of cash to chase their newly issued shares. The construction concern K. Wah Stones was 246 times oversubscribed, meaning that only one of 247 prospective investors got shares.

Oriental Press, a widely read Chinese newspaper, was 310 times oversubscribed, while General Electronics, a small electronics firm, was also oversubscribed.

But on what is now known as "Black Monday," share prices plunged a staggering 33 percent, and the markets have been jittery since.

General Electronics, offered at 1.38 Hong Kong dollars (18 U.S. cents) a share, is now a lowly 84 Hong Kong cents, and K. Wah Stones has fallen to 1.04 dollars. Oriental Press is still doggedly above its offer price but well below its highs.

Mr. Li, hoping he could wait out the storm on world markets, closed the exchange for four days last week. When it reopened on Monday prices fell with a vengeance.

"History has proved him wrong," said Martin Lee, a legislator, in calling for Mr. Li's resignation.

Another legislator, Conrad Lam, has questioned the value of the futures market, and others have called for a full-scale inquiry.

Changes are likely. Already the government is planning to review the stock exchange, and the former banking commissioner, Robert Fell, has been named as a senior official.

Futures trading will certainly be more tightly regulated after the government and banks, including Beijing's Bank of China, had to throw a 4 billion dollar lifeline to rescue the exchange.

Some stockbrokers shrug and say the upsurge is to be expected. "It's hell if you do and hell if you don't," said Laurence Amerine of DMT Securities.

COMMUNAUTE ECONOMIQUE EUROPEENNE
\$US 26.000.000 13,25 % 1980/1995

We inform the bondholders that the redemption instalment of \$US 2.600.000, nominal due on December 15, 1987, has been satisfied by a drawing on October 9, 1987, in Luxembourg.

The bonds will be reimbursed at par on December 15, 1987, coupon due on December 15, 1988 and following attached, according to the modalities of payment on the bonds.

The numbers of such drawn bonds are as follows:

1 to 1011 and 24412 to 26000

The following bonds, called for redemption on December 15, 1986, have not yet been presented for the payment:

13949 - 15949 16001 - 16548

Amount outstanding after December 15, 1987: \$US 20.800.000.

THE PRINCIPAL PAYING AGENT
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15, Avenue Emile Reuter
LUXEMBOURG

REPUBLIC HOLDING S.A.
In liquidation
LuxembourgSTATEMENT OF CONDITION
as at December 31, 1986.

ASSETS	U.S. \$	U.S. \$
Demand accounts with banks		389.175.12
Term deposits with banks		16.300.000.00
Investments in and loans to subsidiaries		1.740.207.92
Other assets:		
• Advance to Paying Agents	112.826.08	
• Accrued interest receivable	252.962.17	
• Others	13.942.94	
		379.731.19
		18.809.114.23
Less: LIABILITIES		
Due to subsidiaries	3.480.016.66	
Shareholders' account:		
• Dividends payable (coupons Nos. 3 to 16)	33.479.05	
• First distribution of assets	89.169.70	
Other liabilities:		
• Accrued interest payable	106.130.35	
• Provision for expenses and taxes	173.577.15	
		3.885.372.91
Shareholders' equity		14.923.741.32
Represented by:		
Share capital	24.856.950.00	
Share premium account	59.091.360.00	
Legal reserve	6.150.000.00	
Retaining earnings	353.826.686.69	
Reserve for own shares held	78.364.70	
Net income and proceeds on realization of assets for 1986	777.873.93	
		444.781.235.32
Less: First assets' distribution:		
Cash payment (coupon No. 17)	33.132.200.00	
Republic New York Corporation shares (coupon No. 18)	396.725.294.00	
		429.857.494.00
Net		14.923.741.32

REPUBLIC HOLDING
(In liquidation)
The Committee of Liquidators

Base your
investment strategy
on the solid
security of gold.

The shock waves that so dramatically rumbled through the world's stock markets are bringing investors back to the fundamentals. No investment is more fundamental than gold.

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especially today, when virtually all forms of financial investment are being called into question. Given this overwhelming uncertainty, the shrewdest of today's investors know that a significant personal reserve in physical gold provides the solid bedrock on which to build a strong, more effective investment strategy.

Start today to build up your personal reserve of gold bars or gold bullion coins, in complete confidence and confidentiality. See your bank or gold bullion dealer... or write for your free copy of the "European Guide to Gold" to: Gold Information Centre B.P. 351 CH-1211 Geneva 3 Switzerland



Money you can trust.

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.

PERSONAL INVESTING
IN THE 1HT THE SECOND
MONDAY OF EACH MONTH.
EDITED FOR THE
SOPHISTICATED INVESTOR —
AN ESSENTIAL GUIDE TO
OPPORTUNITIES AND PITFALLS
— WORLDWIDE

[illegible]

The CRION Group, since 1975 in Europe, offers a selected conservative programme of prime commercial real estate investments for sophisticated investors. A wide range of legal, fiscal and financial advices are provided to you by our specialists, in order to achieve for you the best tailor-made fiscal and financial structure.

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W Raises Estimate of Fraud Losses

By Ferdinand Protzman
International Herald Tribune

FRANKFURT — Volkswagen said Thursday that its losses from a massive currency fraud might be as high as 15 million Deutsche marks (\$8.6 million) from an original estimate of 473 million DM. The company said that additional

traders might have manipulated accounts. The automaker's announcement followed news reports that the Lower Saxony state prosecutor's office had uncovered evidence of other illegal currency transactions by company and bank employees. "There are indications that former currency dealers in past years

fraudulently manipulated accounts," said Ottwin Witzel, a VW spokesman.

The currency fraud, the largest in West German history, was first publicly revealed in March, when VW said it was making provisions to cover up to 473 million DM in losses from allegedly fraudulent foreign-exchange transactions.

Six employees were fired or suspended indefinitely in the scandal, including VW's financial director, Rolf Selowsky, and its chief foreign-exchange dealer, Burkhardt Junger.

Mr. Junger and two former VW foreign-exchange dealers are being held by the authorities on suspicion of fraud.

The weekly news magazine Stern said in its latest issue that VW currency dealers had skimmed more than 10 million DM in profits.

The embezzlement scheme reportedly was revealed by Lutz Quenkel, one of the former VW foreign-exchange dealers in custody.

Bad news has plagued Volkswagen since the scandal surfaced. On Wednesday, the company canceled a presentation scheduled next week for bankers that was expected to be an unofficial kick-off for the government's planned sale of its 16 percent stock holding in VW.

Before the stock collapse, that sale was expected by the end of the year. Stock analysts in Frankfurt said that given the current climate in equities trading, sale of the VW stake was likely to be delayed, and might not come until early 1988.

BUSINESS PEOPLE

U.S. Cuts Put Pressure On Harris's Chairman

International Herald Tribune

Harris Corp., less than a month after denying reports that it might be acquired by Plessey Co., Britain's largest electronics manufacturer, has promoted John T. Hartley to chairman.

Mr. Hartley, 57, is already the company's president and chief executive officer. As chairman, he succeeds Joseph A. Boyd, 66, who will remain chairman of the executive committee.

Mr. Hartley has denied news reports that Harris, a Melbourne, Florida-based manufacturer of information processing systems and semiconductors, had been negotiating to be bought by Plessey. The New York Times said a merger also was opposed by the Pentagon because of concern about a major military contractor being controlled from abroad.

Analysts say that a principal concern for Mr. Hartley would be the prospect of military budget cuts as the U.S. government seeks ways to reduce the federal deficit.

"Government systems last year accounted for 38 percent of their revenues," said J.D. Samstag, an analyst for Duff & Phelps.

Blue Arrow PLC of London, the world's largest employment agency, has recruited Christopher Cas-

leman for the newly created posts of managing director and chief executive. Mr. Casleman, 46, resigned in July after seven years as chief executive of the merchant bank Hill Samuel Group PLC after disagreeing with the board's decision to discuss a merger with Union Bank of Switzerland. Mr. Casleman said the proposed merger was likely to "lead to the loss of independence." Hill Samuel was subsequently bought this month by TSB Group PLC, a British financial services group, in a transaction valued at about \$1.2 billion.

Daiwa Securities America Inc., the U.S. subsidiary of Daiwa Securities Co. of Tokyo, said that Koji Yoneyama, formerly president of Daiwa (Switzerland) Ltd., has been named president and chief operating officer. Mr. Yoneyama replaces Yasuaki Onda, who has been promoted to the new post of special assistant to Koichi Kimura, managing director of Daiwa's international division in Tokyo.

Family Dollar Stores Inc., a Charlotte, North Carolina, discount chain whose president and chief operating officer resigned last month after a decline in profits, has recruited Ralph D. Dillon for the post. Mr. Dillon, 47, had been president and chief executive of Coast America Corp., a New York

Bell Is Named Chairman at Guinness Mahon

New York Times Service

LONDON — Guinness Mahon & Co., the banking arm of Guinness Peat Group PLC, has named Geoffrey Bell chairman to succeed John Slater, who was acting chairman. Mr. Bell was also named to the board of Guinness Peat.

The appointment comes only weeks after Guinness Peat abandoned its controversial plan to bring in an eight-member management team to run Guinness Mahon.

Mr. Bell, 48, is executive secretary and founder of the Group of 30, an international economic and monetary affairs organization. He established Geoffrey Bell & Co. in 1982 to undertake international investment banking and advisory services for clients in the United States, Canada, Venezuela, Singapore, Japan and Europe.

Stock Exchange-listed company that franchises about 1,000 retail hardware stores through its operating subsidiary, Coast-to-Coast Stores. Mr. Dillon succeeds Lewis E. Levine, 53, Mr. Levine is a cousin of Family Dollar's founder and chairman, Leon Levine, 49.

KF Profit Falls 21% on Costs of Roller-Bearing Job Cuts

By Juris Kaza
International Herald Tribune

STOCKHOLM — SKF AB, the Swedish maker of tools and ball bearings, reported a 21 percent drop Thursday in third-quarter earnings to 269 million kronor (\$43.2 million).

The pretax profit compared with 2 million kronor a year earlier, inched up 2 percent to 4.5 million kronor from 4.4 billion kronor in the third quarter of 1986. SKF attributed the earnings decline to one-time costs associated with staff reductions at some of its roller-bearing operations in the U.S. and Europe. The company said it was introducing a "plasma" shock for salvaging scrap at one of its plants.

SKF cited "extremely severe" competition from low-price manufacturers of standard miniature

bearings as a major reason for the employee cutbacks.

For the first nine months of 1987, the company reported a 3 percent rise in pretax earnings to 1.09 billion kronor from the year-earlier period.

SKF said that all comparisons were adjusted to account for the company's divestment of its steel operations last year.

SKF said it had maintained its position on the world bearings market, with deliveries to the auto industry above average, but noted that "overcapacity in the industry" was pushing prices downward.

Tim Youngman, an analyst with Savory Mill Ltd. in London, said that the results presented no surprises.

SKF said that its sales and earnings had improved in North America but that exports by its West German and Italian subsidiaries were hurt by the weak dollar.

Wintershall Buys Mid Louisiana From Tenneco

Reuters

KASSEL, West Germany — Wintershall AG, an energy exploration firm and fuel manufacturer, said Thursday that it had agreed in principle to buy Mid Louisiana Gas Co. from Tenneco Inc. for about \$80 million.

Wintershall said that the acquisition by its U.S. unit, Wintershall Corp. of Denver, would include gas fields and reserves in the Monroe area field in northeastern Louisiana.

Wintershall AG is owned by BASF AG, the West German chemical company.

It said it hoped to complete the purchase of Mid Louisiana by the end of the year.

Mid Louisiana's technical installations and gas pipelines in the Monroe field and in Louisiana and Mississippi would be included in the sale.

Wintershall, which already operates in the Monroe field, said the expansion would increase its efficiency.

DUKE: Britain's Richest Man Says He Is Unperturbed by Stock Market's Plunge

(Continued from first finance page)

aces of choice property including the land on which the American Embassy stands, residential property now sells for as much as £650 (\$1,100) a square foot. Commercial rentals have jumped from £20 per square foot of floor space to £35 over the past three years, according to the duke and Mr. James.

Although critics have dubbed him "Lord Greedy Guts," supposedly for charging high rents, Mrs. Mitchell says the nickname is "absolutely not justified. You can't be greedy. You have to be in line with the market price or you're simply not going to sell."

Any extrapolation of the duke's net worth from such figures can only be conjecture. It is not that he refuses to talk about "numbers."

He said he sold Grosvenor Estate owns property that could fetch an incalculably high premium because such real estate is "very rare."

"One can create markets for rare items, such as a Van Gogh oil painting, which recently sold in London for some £24 million," he says. "We also have rare products, acres of choice property. But we don't know what the market is, because we have not tested it by trying to sell."

The duke says that Fortune magazine's recent estimate of his net worth, at \$4 billion, is "absolute fiction, nothing more than gazing into crystal balls." He says Fortune, which ranked him second to Queen Elizabeth II as Britain's wealthiest person, never consulted Grosvenor Estate about the group's assets. Not that Mr. James would have been told much in any event, he admits.

Noted Erik Brown, editor of Estates Times, a leading London property journal: "The potential sales value of the 300 acres in London alone—home to Oxford Street shops, luxury hotels, embassies, apartments and offices—is phenomenal. I just couldn't wrap a figure around it."

The duke shies about his helicopter to inspect his properties. Outside London, the estate comprises tracts of farmland and commercial development projects throughout the United Kingdom, including 10 enclosed shopping malls in major urban areas.

Other assets include residential and commercial sites in Canada, Australia, San Francisco and Honolulu. The duke's sprawling residence, Eaton Estate, lies just outside of Chester, in the north of England, and spreads over 10,500 acres of farmland.

Prospects were not always bright at Grosvenor Estate. In the late 1960s, when the duke was in his teens, the estate ran into both financial and management difficulties, largely because of 20 years of legal wrangles over inheritance taxes. The estate was reorganized.

In 1979 it shed its former structure as a plodding, traditional landowner to emerge as a professional property and development corporation, known as Grosvenor Estate Holdings. The corporation is now run by six trustees, headed by the duke, who oversee about 700 employees worldwide.

On leaving Harrow, one of Britain's renowned public schools, at 18, Gerald Grosvenor worked variously as a ranch hand in British Columbia, a farmhand in New Zealand and an estate agent in En-

gland before joining the family business at 21. He succeeded to the title in 1979, at the age of 27, on the death of his father.

Looking ahead, the duke said: "My goals are threefold: to protect the base of historical assets here in London and in Chester, to expand our property interests worldwide, and to ensure that the estate side of our property assets in London is conserved. We don't want to see garish colors splashed about, and we can only control that through cohesive management."

The duke has two young daughters, but no male heir. Asked what ultimately would happen to the Duke of Westminster title, granted in 1874, he said, "I haven't really thought about that, but it seems the title will die. Of course, the activities of the estate will continue."

He acknowledged that the comfort and financial security he enjoys were the result of a mammoth inheritance. "When one's been given a hell of a lot, it's very important to put a lot back in," he said.

Part of that mission has involved his support for Britain's National Society for the Prevention of Cruelty to Children and his patronage of about 150 charitable groups in Britain. Several years ago, he led a £12 million fund-raising drive for the NSPCC.

More has to be done, he says, about closing the widening gap between Britain's haves and have-nots. His service in the Territorial Army, which recruits heavily from the depressed regions of the north, has meant mixing on equal terms with people from all walks of life. "I'm treated totally like others are treated—you're judged completely on performance, they make no exceptions," he said.

Politically, he describes himself as "a Whig." Asked whether this could be defined as a liberal-minded member of the landed gentry, he said, "Yes, that's about right." He takes no part in the partisan politics of Margaret Thatcher's Britain. But the country, he says, has entered a dangerously polarized phase, which has led to rising rates of crime and violence.

INVESTMENT OPPORTUNITIES IN INDONESIA

Jakarta, 23 - 27 November 1987

80 industrial investment projects will be discussed at this November's Investors' Forum for Indonesia in Jakarta, organized jointly by the Government of Indonesia and UNIDO. The investment projects range in value from U.S. \$80,000 to U.S. \$46 million in more than a dozen industrial subsectors, including mining, food and beverages, wood products and furniture, industrial chemicals, rubber goods, glass and glass products, non-metallic mineral products, basic metal industries, fabricated metal products, machinery manufacture and electrical machinery.

Companies interested in participating can arrange to have individual meetings with Indonesian businessmen during the Jakarta Forum.

For more information, please contact:



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(Continued from Back Page)

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Mexico today is enjoying the first fruits of the renewal of the program to stabilize its economy. This is a program undertaken in response to the problems arising from its heavy foreign indebtedness and the sharp decline in international petroleum prices in 1986.

A key factor in the renewed energy of the Mexican economy is the process of the "opening" in foreign trade, which has been going on since mid-1985 and which was formalized with Mexico's membership in the General Agreement on Tariffs and Trade (GATT) in 1986. These events are deepening the channels that accommodate a swelling flow of commerce and capital that impacts in many ways on investment and employment in Mexico.

The trade opening is implemented basically by substituting licenses for duties. In addition, duties and ranges of their application have been reduced, and administrative procedures related to foreign transactions have been simplified.

This opening toward foreign trade has been accompanied by the control of certain macroeconomic instruments such as the exchange policy. This has been influential, together with other factors, in determining the undervaluation of Mexican currency. The mechanism helps moderate the protection granted to the industrial base, while at the same time fostering an efficient process of import substitution and improving the competitive posture of exports in the various world markets. Mexico's adherence to GATT is considered essential to the process of internationalizing the economy, since a substantial part of world trade in manufactured goods is governed by the policies and standards of that multilateral organism.

Within GATT, Mexico is considered a developing nation and is eligible for the special benefits attached to that condition. Through the agreement, then, Mexico seeks to widen access of its products to other markets in an ambience of enhanced security and preferential conditions.

Mexico is able to participate in the Uruguay Round of the GATT Trade Negotiations, where it may legitimately try to consolidate advantages for the development of its foreign trade. In addition, GATT is for Mexico a multilateral forum where it can pursue solutions to differences that arise with its commercial partners.

In this context, there is already clear evidence of benefits deriving from the structural change taking place in Mexico's foreign trade. The dependence on petroleum has been eased; oil export income is less, while there has been a dynamic growth in non-petroleum shipments. The latter increased on average 24% annually between 1983 and 1986. And in the first half of this year the growth was 30% compared with the same period a year ago.

The dominant factor in the rise of non-petroleum exports has been the growing strength of manufactured goods; exports of these have doubled in the last three years. Today, moreover, they represent 77% of total non-petroleum exports, compared with 63% in 1983. Foreign sales of the industrial sector at present account for about 25% of its total national production value; three years ago it was 7%.

At the same time, industry managed to substantially improve the ratio of manufactured exports to manufactured imports. In 1980 this was one-to-four; today it has risen to three-to-four.

The increase in the export of goods with high added value is remarkable particularly in the electrical and automotive sector. In the latter, sales abroad grew by 48% in 1986, and of a similar rate in 1987. Today they represent one-third of total manufactured exports.

Foreign investment has an important part to play in the growth of export activity; it provides the technology for improved production and the know-how for gaining entrance to world markets.

Foreign investment is drawn to Mexico for the country's attractive socio-political conditions, its structure of production costs, and various incentives. Prominent among the last-mentioned is the debt/capital swap mechanism that has produced average savings or earnings of 35% for foreign participating firms that make direct investments in Mexico.

In these activities Banco Nacional de México, a financial and fiduciary institution established in 1884, plays a major role in stimulating economic development in general and in the process of internationalizing the Mexican economy in particular.

Banco Nacional de México began promoting Mexico's participation in international financial and commercial circles in 1929, with the opening of its first agency in New York City.

Today Banco Nacional de México has more than 700 branches throughout Mexico, and 13 agencies, branches and representative offices in the principal financial and trade centers of the world. These provide one-third of the total financing that the Mexican banking system offers the nation's foreign trade sector. Banco Nacional de México is concerned principally with furnishing financial support for all phases of the exports of manufactured goods, which this year are expected to reach a record value of \$9 billion dollars.

For Mexican foreign trade activities, Banco Nacional de México has developed a broad range of financial and banking services that share the trends and technologies of the international market. These include market and product counseling, credits for integrated export operations (from production to financing for the foreign buyer), service in foreign exchange, exchange hedging in the domestic market, international treasury on the international markets, debt/equity swap transactions, etc.

Counseling in international trade consists basically of intelligence support to clients in search of goods and markets and in the coupling of supply and demand.

To finance foreign trade, Banco Nacional de México uses funds that come mainly from the programs of the Fund for the Development of Exports (Fondo para el Fomento de las Exportaciones — FOMEX). Total financing this year is expected to amount to about U.S. \$4 billion. The competitive financing terms offered by FOMEX through Banco Nacional de México are vital supports for Mexican exporters in their access to various markets. In addition, Banco Nacional de México through its correspondent banks provides competitive financing to the buyer of Mexican merchandise.

Banco Nacional de México grants credits for the imports of raw materials, parts and finished products necessary for national development, and for imports that are essential to the expansion of corporate export capacity. The funds for this purpose usually derive from credit lines negotiated by Banco Nacional de México with its correspondent banks, and from financing agreements the Mexican government has signed with other countries.

Complementing its foreign trade financing, Banco Nacional de México also renders international treasury services to commercial enterprises, in order to help them speed up their production and foreign marketing operations and optimize their treasury reserves in foreign currency.

In addition, Banco Nacional de México offers a service not available from any other Mexican bank. It counsels exporters and importers, and acts as intermediary for them, in carrying out buy/sell operations in futures, for merchandise quoted on foreign exchanges. These are goods usually involved in Mexican foreign trade operations, and include farm products, textile fibers, minerals and petroleum.

While overcoming its present economic difficulties, Mexico has been able to orient its development model toward the world market in order to achieve stable growth in the long term. Banco Nacional de México is actively involved in this effort.

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Net asset value quotations are supplied by the Funds listed with the exception of some quotes based on issue price. The marginal symbols indicate frequency of quotations supplied: (d) - daily; (w) - weekly; (b) - bi-monthly; (r) - regularly; (i) - irregularly.

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MARKETS SEEK DIRECTION: Intervention Halts a Dollar Sell-Off

DOLLAR: Currency Steadies on Bank Intervention

(Continued from Page 1)

Yazawa of Japan, for example, said the Reagan administration gave priority to reducing the budget deficit to stabilize foreign-exchange markets.

He also declared that the pact on currency stabilization did not allow even a slight drop in the dollar's value. "We are now ready to buy dollars which are going to be sold," he declared.

In London, the dollar had closed at 137.95, down from 139.15 yesterday, and at 1.7290 DM, up from the day's low of 1.7180 but down from 1.7335 DM.

The dollar's downward spiral in the day set world stock markets on divergent courses, driving down Asian share values but reducing mixed results in Europe. At the first time this week, Wall Street seemed to be resisting the dollar's challenge to its stability.

An injection of liquidity into the money markets by the Fed, German central bank, or Bundesbank, eased upward pressure on interest rates. The West German government, meanwhile, attempted to lay the blame for the dollar's de-

London Dollar Rates

Coin	Thru	Wed.
Deutsche mark	137.95	139.15
Swiss franc	1.7290	1.7335
Japanese yen	169.50	169.50
French franc	6.55	6.55

Source: Reuters

cline squarely on the United States.

On Wednesday, the central banks of West Germany, Japan, Britain and Italy bought an estimated \$1 billion or more to slow the dollar's decline. Dealers estimated that the Bank of Japan bought another \$800 million to \$1 billion Thursday.

Dealers said that the Bundesbank bought \$49.5 million to try to steady the market during the midday fixing of the mark in Frankfurt.

In Paris, the mark was fixed

Thursday at a record high of 337.25 francs per 100 marks compared with Wednesday's record low of 335.17 francs, dealers said.

Dealers at one Paris bank said the Bank of France said around 200 million DM (\$115 million) to bolster the franc at the fixing, but there was no official confirmation.

Other central banks involved in open market buying included those of Britain, Spain, Switzerland and Italy.

"Central banks seem to understand that the market wants to take the dollar down," said Steven Cerio of Manufacturers Hanover Trust Co. "They'll probably let the market exhaust itself."

Gold, a haven for investors when the dollar is weak, plunged Thursday, closing on the New York Commodity Exchange at \$466.30, down from \$477.50.

(UPI, Reuters)

France Wants Urgent Session Of G-7 to Bolster Louvre Pact

Compiled by Our Staff From Dispatches

PARIS — Finance Minister Edouard Balladur of France called Thursday for an urgent meeting of officials of the Group of Seven major industrial democracies to strengthen the Louvre accords on stabilizing currencies.

Mr. Balladur said he hoped such a meeting would allow the group to improve interest-rate controls under the accords, which were agreed to in February. The Group of Seven includes the United States, Japan, France, West Germany, Britain, Italy and Canada.

In an interview with the newspaper Le Monde, Mr. Balladur also called for a "permanent secretariat" to uphold the Louvre accords and greater coordination to help ease world monetary and financial crises. He said the accords should be "completed and reinforced" to cover "all the windows of economic and financial policy."

He said he would demand "a very substantial reduction in the American budget deficit and a lowering of interest rates in West Germany and Japan, as well as the activation of internal demand in those two countries" at a future Group of Seven meeting.

Mr. Balladur said, "France will hold to all its international engagements and will maintain its policy of freeing the economy." (AP, UPI)

The Fed's Goal: Alleviating the Angst

It Acts to Shore Up Dollar, Reassure Banks and Brokers

By Michael Quint

New York Times Service

NEW YORK — The Federal Reserve, in its role as guardian of the nation's financial system, has emerged as the first arm of government to respond actively to the steep drop in the stock market.

While Congress and the Securities and Exchange Commission have begun inquiries into the cause of the market decline and President Ronald Reagan has suggested a willingness to compromise to cut the budget deficit, the Fed has acted both openly and behind the scenes to soothe the nerves of financiers and prevent a full-fledged panic.

On Wednesday, for example, the Fed bought dollars in the foreign-exchange market to prevent a rapid decline in the value of the currency.

It has also stepped in earlier than normal in recent days to buy Treasury securities temporarily, thereby adding cash reserves to the financial system. On Tuesday, it even announced a day in advance its intention to supply reserves.

"The Fed has no obligation to protect stock market prices that is not its job," said Richard Hovey, chief economist at Drexel Burnham Lambert Inc. "But it does have an obligation to limit the secondary effects of a decline in stock prices."

To reduce the impact of those declines on the financial system, the Fed has adopted a two-pronged approach to assure bankers, companies and the public that there is no need to panic and curtail their regular business activities. A stop in the normal flow of borrowing and lending brought on by the stock plunge would almost certainly result in a recession.

On the one hand, the Fed has assured banks and securities firms that money will be made available to carry them over short-term squeezes brought on by the turmoil in the financial markets.

The first public sign of the Fed's attitude came early on Oct. 20, the day after the Dow Jones industrial average fell 308 points, when it issued a statement affirm-

ing its "readiness to serve as a source of liquidity to support the economic and financial system."

To supplement that statement, the Federal Reserve Bank of New York met last week with executives of leading New York banks, urging them to lend to securities firms that are credit-worthy but that have suffered a temporary cash shortage during the market downturn.

Without these steps to encourage the financial community, the Fed would run the risk that banks might worsen the situation on Wall Street by denying loans to credit-worthy securities firms whose borrowing needs are only temporary. Or worse yet, banks might respond to losses on loans to some firms, and a surge in their loans to credit-worthy securities dealers, by cutting back on lending to other sectors of the economy.

Another aspect of the Fed's crisis management has been its encouragement of a modest decline in interest rates on overnight loans among banks. These rates have declined to about 6.625 percent Wednesday, down from an average of 7 percent between Oct. 20 and Oct. 27 and about 7.5 percent in the four weeks before Oct. 20.

Although the decline is much less than the drop in other short-term rates, it is seen in the dollar as a clear sign of Fed policy, relieving the fears of higher interest rates that prevailed earlier this month.

"I think the Fed's strategy is clear — the only questions are about tactics and how it will orchestrate an easier monetary policy," said Dana B. Johnson, a financial economist at the First National Bank of Chicago. "The Fed will try to be as stimulative as it can, but it has to be aware of the risk of a free-fall in the dollar and the thinking of people in the markets who still seem to worry about inflation."

Mr. Hovey of Drexel Burnham said that during periods of turmoil, when the demand for safe, liquid securities like Treasury bills is exceptionally strong, the Fed has no choice but to provide liquidity and stabilize the markets.

Some analysts are concerned that the Fed is doing too little in response to the downturn in stocks. "The Fed is following the market, not leading the way to a more aggressive lowering of interest rates," said Roger A. Craig, a manager of the fixed-income portfolio at the Banc One Asset Management Corp. in Columbus, Ohio. "The downturn in the economy is going to be much more severe than the Fed seems to expect."

I-1 Rises \$5.6 Billion a Week Ending Oct. 19

Reuters

NEW YORK — M-1, the narrowest measure of the money supply, rose \$5.6 billion to a seasonally adjusted \$759.5 billion in the week ending Oct. 19, the Federal Reserve reported Thursday.

The previous week's M-1 level was revised to \$753.9 billion, while a four-week moving average of I-1 rose to \$755.6 billion from \$745.4 billion. M-1 includes cash in circulation and checking accounts and nonbank traveler's checks.

Mr. Delors's calculation was based on the assumption that lower

DELORS: EC Official Is Rebuked by West After His Gaffe on the Dollar

(Continued from Page 1)

had not been intended to drive the dollar lower and were not based on any privileged insight into U.S. thinking. A commission spokesman officially conceded Thursday that Mr. Delors was not aware of the intentions of the U.S. government.

A text released Thursday by the commission portrayed Mr. Delors as having sought to make a relatively obscure point about the effect of the falling dollar on the cost of the EC's common agricultural policy. If the dollar came to settle at 1.60 DM, instead of 1.80 DM, it would cost the EC millions of extra dollars in farm spending, he argued.

Mr. Delors's calculation was based on the assumption that lower

world commodity prices, which are quoted in dollars, would entail higher subsidies for EC farm exports.

The European Parliament, however, on Thursday published excerpts of what he had actually said in French, which conflicted with the text released by the commission. According to the Parliament's version, Mr. Delors said: "The Louvre accord forces that the dollar cannot fall below 1.80 DM. Today it is at 1.75 DM. Have no illusions, the United States is ready to make it fall to 1.60 DM."

Some of the outcry in Strasbourg, however, appeared to be politically motivated, with the attacks on Mr. Delors, a Socialist, coming mainly from conservative members. Conservatives from Britain,

Denmark and Spain demanded that he return to the chamber to justify or withdraw his remarks.

Mr. Delors's supporters appeared particularly anxious to preserve his credentials as a financial expert at a time when he is taking the lead in urging member governments to meet the 1992 deadline for abolishing economic and monetary frontiers inside the community.

Mr. Delors also had made no secret of his ambition to return to high government office in France — ideally as prime minister after next year's French presidential elections.

Many analysts have said that the autocratic, sometimes abrasive Mr. Delors is frustrated by the EC's failure to solve its financial prob-

lems and is increasingly concerned with French domestic politics.

Earlier this year, reports circulated in Brussels that Mr. Delors was so frustrated with the rejection of commission proposals by member governments that he was considering resigning. Observers in Paris, however, believe that there is little prospect of him finding a niche for himself at the top of French politics in present circumstances.

The main thrust of Mr. Delors's remarks to the European Parliament, officials said, was meant to be that European countries must do more to alleviate the market crisis to prevent a further slide in the value of the dollar or prevent the passage of tough protectionist legislation by the U.S. Congress, or both.

Thursday's OTC Prices

NASDAQ prices as of 2 p.m. New York time.

Via The Associated Press

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SPORTS

Bill Russell Seizes New NBA Challenge

Former Celtics Star and Coach Is Aiming to Build Contender in Sacramento

By Leonard Koppett

New York Times Service

SACRAMENTO, California — William Fenton Russell, at the age of 53, has embarked on a new phase of an already historic career. He is now coach of the Sacramento Kings, and he is on course to become president of the club.

It has been 10 years since Bill Russell last worked in the NBA, the league whose status he did so much to establish playing for the Boston Celtics in the 1950s and 1960s. His four-year stint as coach of the Seattle SuperSonics ended in 1977.

Young basketball fans may think of him only as a commentator on network and cable basketball telecasts and a Hall of Famer who belongs to the distant past. But the magnitude of Russell's feats still defines the man, his present position cannot be understood without reference to his background and those accomplishments long ago.

And inseparable from his record is his passionately private and individualistic personality. He has always kept his distance from the news media, has refused to give autographs or make personal appearances and has often been called difficult and worse.

"But I've learned," he said recently, "that it is more important to understand than to be understood."

So it is with emphasis on what he has come to understand that he approaches his new job: building the Kings — who moved two years ago from Kansas City into a temporary 10,000-seat arena amid high expansion-city enthusiasm — into a strong enough team to have long-running success in a permanent 16,500-seat building that will be occupied next year.

Russell will be coach for two years, possibly three, to develop the team on the playing level. Then, he is to succeed Joe Axelson as president, acquiring a seat on the National Basketball Association's board of governors. His contract with the Kings is for seven years.

"I'm fortunate to join what is already a good organization that has demonstrated its capability," he said. "I've got two assistant coaches, Willis Reed and Jerry Reynolds, whose opinions I value and listen to. The four of us, including Joe, are on the same wave-



Bill Russell

length about how to proceed, and the first stage is the building of the team."

Reed and Reynolds have NBA coaching experience themselves, and Axelson has been one of the league's most experienced administrators for many years.

The organization is headed by Greg Luckenbill, who is managing general partner of a five-man ownership group.

The Kings, who started life in the NBA as the Rochester Royals, in turn became the Cincinnati Royals, then the Kansas City-Omaha Kings, then the Kansas City Kings. By 1985, when its Kansas City owners were ready to give up, the team had failed to make the playoffs in 8 of its 13 seasons there.

Luckenbill brought the franchise to California, getting corporate sponsorship for the Arco Arena, while construction of the permanent arena proceeded. Axelson and Coach Phil Johnson came with the team, and the Kings did make the playoffs — with a losing record — the first year. Last year, with Reynolds replacing Johnson in the middle of the season, the team was 29-53.

As a college player, Russell led his University of San Francisco team to 55 straight victories and successive collegiate titles in 1955 and 1956. He then led the U.S. team to victory in the 1956 Olympics at Melbourne and joined the Celtics in midseason.

He was the final, and crucial, ingredient Red Auerbach needed to make the Celtics champions. With Russell as their center, the Celtics won nine titles in 10 years, giving professional basketball a level of prestige it had not enjoyed before.

In the process, Russell revolutionized the game. He was a 6-foot-9-inch (2.06-meter) center whose lightning reflexes brought shot-blocking and other defensive maneuvers that trigger a fast-break offense into full development.

In 1966, after eight straight titles, Auerbach retired as coach and named Russell as his successor. This was hailed as a sociological advance, since Russell was the first black man to be made coach of a major-league team in any sport, let alone so distinguished a team.

Neither Russell nor Auerbach saw the move that way. They felt it was simply the best way to keep winning, and as a player-coach, Russell won two more titles in the next three years.

Then, he retired from basketball, his place in its history secure, and moved into broader spheres, hosting radio and television talk shows and writing newspaper columns on general topics.

In 1973, Russell took over the Seattle team, then a six-year-old expansion franchise that had never made the playoffs, as coach and general manager. The year before,

it had won 26 games and had sold 350 season tickets. Under him, the team won 36, 43, 43 and 40, making the playoffs twice. When he resigned, it had a solid base of 5,000 season tickets sold and the material to reach the NBA championship series the next two years. It won the championship in 1979.

"The main thing," said Russell, "is to put talented people into the right situations where their talent can be most productive. You have to match them with the right people, and get them to the right spot on the floor."

Defense has always been Russell's area of greatest expertise, and an analytical approach has been the key to his success.

"Defense is a team enterprise that has to be built brick by brick, over a long period of time," he said. "It's revealing that Russell's first draft choice — No. 6 over all this year — was Kenny Smith, the 6-3 guard from North Carolina. In a game where so many become obsessed with the search for big men, the most productive big man in NBA history opted for a back-court player to build around."

There's an old basketball saying, "No matter how powerful the bus, somebody has to drive it." Russell's first draft choice may be another example of how he gives higher priority to understanding exactly what he needs than to explaining it to the world.



LITTLE MUGGSY, BIG MANNY — Tyronn (Muggsy) Bogues, the Washington Bullets' 5-foot-3 (1.61-meter) rookie and the shortest player in the NBA, practicing with teammate Manute Bol, the tallest at 7-6.

Baseball Should Try for Right Call Every Time

New York Times Service

VANTAGE POINT/Dave Anderson

NEW YORK — Ever since the first umpire missed a call, baseball's cop-out has been that bad calls even up, that each team will get its share. Over a 162-game season, maybe the bad calls do even up, maybe not. But in the World Series, especially in the seventh game, there's not enough time for them to even up.

In the seventh game, the outcome can turn on a bad call that could be corrected if baseball would accept limited instant replay.

Commissioner Peter Ueberroth keeps saying that baseball doesn't want to take the "human element" out of umpiring. The human element is really a synonym for the occasional missed call. To the commissioner, the human element is apparently more important than the correct call. Or the correct World Series winner.

With one out in the top of the sixth inning of Sunday night's seventh game, Lee Weyer called Tommy Herr of the Cardinals out at first base in a rundown after a pickoff throw by Frank Viola, the Twins' left-hander. But the replay clearly showed that Herr had escaped the rundown and returned to the bag before Viola, backing up the rundown, tagged him. After the Twins' 4-2 victory, Weyer acknowledged that he had been "blacked out of the play" by Kent Hrbek, the Twins' first baseman, adding that the replay showed it was "very, very close."

But by Tuesday, in a television interview, Weyer acknowledged that he had missed the call. This time, the 51-year-old umpire, one of the most respected in the National League, added, "I thought he would be out."

But umpires aren't supposed to anticipate the call. They're supposed to know. And if they don't know, they're supposed to ask the opinion of another umpire who might have had a better view of the play. In this case, Dave Phillips, the home-plate umpire. But there was no umpire's conference.

Anybody who was watching television knew that Weyer had missed the call. Herr was clearly safe. In another replay, Don Baylor of the Twins had clearly been safe, not out, at the plate on a call by Phillips in the second inning. Not quite so clear was a play at first base in the fifth when Weyer called Greg Gagne of the Twins safe. The replay appeared to show that Joe Magrane's red shoe had slightly depressed the bag ahead of Gagne's black shoe.

Maybe the Twins would have won anyway. Maybe not. But those three calls, two in the Twins' favor, surely affected the flow of the seventh game. And all three calls could have been corrected if baseball used instant replay.

This is not to say that baseball should use

instant replay or an electronic zone to call balls and strikes; that's too subjective. And this is not to say that baseball should use instant replay over the entire 162-game season. But in the World Series, in the two league championship series and in late September games involving teams in the divisional races, instant replay should be used.

Two years ago, the Cardinals were within three outs of winning the World Series, leading by 1-0 in the sixth game. But then Don Denkinger, the first-base umpire, ruled the Royals' leadoff batter, Jorge Orta, safe on a loss from Jack Clark, the Cardinals' first baseman, to Todd Worrell. The Royals rallied for a 2-1 victory, then routed the Cardinals, 11-0, in the seventh game.

"I was astute enough to realize," Denkinger said after viewing the replay, "that the man was clearly out. The call was wrong."

But the call stood. The flow of the game was affected.

In the National Football League, which uses limited instant replay in 14 games every weekend, some plays remain inconclusive, as they would in baseball. But of the 374 plays that the NFL reviewed during the 1986 season and playoffs, 38 were reversed, or 10 percent.

Becker, UNICEF Part Ways Over South Africa

By Peter Alfano

New York Times Service

NEW YORK — It is Boris Becker's belief that sports and politics should not mix. But that has not prevented the 19-year-old West German tennis star from becoming the center of a controversy that has cost him his position as goodwill ambassador for the United Nations Children's Fund, UNICEF.

Horst Cerni, a director of special projects for UNICEF, said Wednesday that Becker's association with UNICEF, which began in April 1986, had been terminated because Becker had failed to say that he would never return to South Africa. That nation is boycotted by the United Nations because of its policy of apartheid, or racial separation.

Becker was blacklisted by the UN Center Against Apartheid after he played in South Africa as a member of the West German Federation's junior team in 1984. He was, however, only 15 years old at the time, traveling with the team and trying to qualify for the main draw of a grand prix event.

Becker has not returned to South Africa since, and last year he refused to play in a tournament in Johannesburg after being designated to do so by the Men's International Professional Tennis Council.

The issue was raised by an anti-apartheid group based in Sweden, which protested Becker's appearance for a tournament in Sweden a few weeks ago. Cerni said that UNICEF did not initially know that Becker had competed in South Africa, only that a West German junior team had gone there.

Cerni said Becker was recently asked to sign a statement saying

that he was opposed to apartheid and would never play in South Africa as long as that policy was in practice. Ion Tiriac, Becker's manager, said in a telephone interview Wednesday that Becker was opposed to signing such a statement, viewing it as an ultimatum.

Instead, Becker wrote a letter to

Javier Pérez de Cuellar, the secretary-general of the United Nations, which, in essence, said he was strongly opposed to apartheid and was not planning to play in South Africa.

"I did not participate this year and do not intend to participate next year," Becker's letter read in

part. "I made a direct and strong statement of my beliefs that apartheid is very wrong and that I'm against it."

"The stumbling block," Cerni said, "is that he did not say he was never going back to South Africa. He is young and theoretically, he might have to play there."



SWINGING LOW — Mexico's Jorge Vaca, left, delivers an apparent low blow to Britain's Lloyd Honeyghan in their World Boxing Council welterweight title fight at Wembley. Vaca, the challenger, won a split decision after the boxers' heads collided in the eighth round, cutting Vaca, ending the fight and costing Honeyghan a crucial point.

SPORTS BRIEFS

Baseball Trade Under Investigation

CHICAGO (AP) — The baseball commissioner's office is reportedly investigating a trade that sent a pitcher from the Chicago Cubs to the Detroit Tigers late in the season, then back to the Cubs after the season ended.

The pitcher, Dickie Noles, was instrumental in helping the Tigers win the American League East title. The Chicago Tribune quoted an aide to Commissioner Peter Ueberroth as saying the deal was under scrutiny, and as noting that "there is a prohibition against lending players to another organization."

Noles was traded to Detroit for a player to be named later, but the player was never named. The Tigers sent Noles back to the Cubs last week. He notched two saves as Detroit looked Toronto for the title.

Ueberroth's office must determine whether the trade was made with the intent to return Noles to the Cubs, the newspaper said.

Dodgers Name a Black to High Post

LOS ANGELES (AP) — The Los Angeles Dodgers have named Tommy Hawkins, a former professional basketball player and a sports announcer, as vice president for communications. He becomes the highest-ranking black in the history of the Dodgers front office.

Hawkins and two other vice presidents rank behind Peter O'Malley, the president, and Fred Claire, the executive vice president for baseball operations. Claire was elevated seven months ago when Al Campanis resigned after a controversy over his remarks about the reasons for black athletes have become baseball managers or front office personnel.

Hawkins said Wednesday that in two months of talks with O'Malley, "only once, in our first meeting, did we discuss the Al Campanis situation."

Hawkins will oversee the Dodgers' publicity, public relations, group sales, special events and community services departments. He played 10 years in the National Basketball Association, through 1969.

NFL Owner Told to Pay \$5.1 Million

BOSTON (AP) — A federal judge has ordered the owner of the New England Patriots, William W. Sullivan Jr., to pay \$5.1 million to shareholders in the NFL team who claimed Sullivan persuaded them in 1976 to accept prices below the value of the stock.

Sullivan also was ordered by U.S. District Judge Walter Jay Skinner to pay interest of about \$2 million and \$1.8 million in legal costs.

In 1976, Sullivan offered to buy out the 130,000 shares of nonvoting stock for \$15 a share. Some stockholders said they would not sell at that price and two groups sued Sullivan in state courts. Those courts upheld the stockholders, finding that the stock should have been valued at \$80.

In the separate federal case, Skinner ruled Wednesday that 983 other shareholders who voted against a 1976 merger will receive \$65 a share from Sullivan, while the 466 shareholders who voted for the merger will receive \$80. Outstanding shares in the case amount to 41,583 shares.

On Tuesday, Sullivan went before National Football League owners in Kansas City, Missouri, asking them to authorize a rule that would allow the Patriots to sell a 49 percent stake in the team in a public stock offering. Sullivan said that would raise enough money so his family would not have to sell the team. The family reportedly is \$77 million in debt.

U.S. Team Leading in Japan Golf

KOBE, Japan (AP) — Andy Bean fired an eight-under-par 64 Thursday to tie the course record and take a one-stroke first-round lead in the individual competition at the \$464,000 U.S.-Japan golf matches.

The nine-man U.S. team, skippered by Hale Irwin, took a 539-552 lead over the Japanese under a formula that counts the eight best scores on each side.

Bean carded eight birdies on the 6,850-yard, par-72 Sport Shinko Country Club course. Gary Hallberg shot a 65, Chris Perry and Bill Rogers, and Masahiro Kuramoto of Japan shared third place at 66.

For the Record

A British golfer, Robert Lee, tied the world record of 27 strokes for nine holes Thursday on his way to posting an eight-under-par 61 in the first round of the Portuguese Open at Estoril. (UPI)

NFL owners will decide in March whether to play an exhibition game at London's Wembley Stadium for the third straight year. The owners voted to make the decision based on what teams make the playoffs. It originally was reported that there would be no game next year. (AP)

The European Community will launch its biennial Games in 1989, Lord Strathmore, president of the European Parliament, announced Thursday in Strasbourg, France. Each of the 12 EC countries will organize two sports events in two separate cities, between April 21 and May 1, 1989. (UPI)

Quotable

With Chamberlain, 51, at the suggestion that he could still make a difference of some extent National Basketball Association centers: "They are moneymen."

30 Compete For Golf's Biggest Purse

By Gordon S. White Jr.

New York Times Service

SAN ANTONIO, Texas — While the real world wonders if its financial house is made of cards, the world of golf will reach a financial high this week as 30 golfers compete for a share of a \$3 million purse.

The purse, the largest in the history of the game, is being offered at the first Nabisco Golf Championship. It was starting Thursday at the Oak Hills Country Club, as the conclusion to the year's PGA Tour.

The man who shoots the best score over the 72 holes will take home at least \$360,000, the largest victory prize ever offered on the tour. The 30th-place golfer will win \$32,000.

If the winner is Curtis Strange, he will take away \$535,000, including a bonus of \$175,000 based on his yearling play.

The \$3 million purse here is made up of \$2 million for the tournament and another \$1 million in bonus prizes based on how a player finished the year in points awarded by the sponsoring company.

The bonus money has caused debate. A number of the players, such as Greg Norman, do not think the bonus money should be counted as official money on the tour.

Strange, the leading money winner with three victories and a record \$718,941 in winnings, can set a mark of \$1,253,941 for the year.

"To take the bonus money as official money upsets the men who perform well on the course," Norman said. "I hope Curtis finishes on top of the money list. He deserves it. But someone else could beat him with the right amount of bonus money here."

Norman set the previous year-long record of \$653,296 in 1986. The point system used all year that ends with this tournament was basically 200 points for a victory, 100 for second place and then on down a scale to 10 points for 25th place. Strange has 3,120 points while Paul Azinger, second on the money list, is also second in points with 2,717 points.

Others who made it here include Ben Crenshaw, Tom Kite, Tom Watson, Fred Stewart, Bernhard Langer, Payne Stewart, Scott Hoch and Mac O'Grady.

SCOREBOARD

Football

CFL Leaders

(Through Oct. 25)

TEAM OFFENSE

Yds Rush Pass

Edmonton 587 1487 236

Hamilton 577 1478 403

Winnipeg 535 1347 450

B.C. 524 1355 375

Toronto 512 1473 344

Ottawa 508 1235 383

Saskatchewan 474 1079 346

TEAM DEFENSE

Yds Rush Pass

B.C. 479 1224 326

Hamilton 571 1188 403

Edmonton 510 1402 482

Winnipeg 507 1448 413

Saskatchewan 493 1401 515

Toronto 482 1252 431

INDIVIDUAL

TDs Rsh Pass Int Pts

Fenerby, Tor 12 12 3 0 0 0

Rogers, Tor 12 12 3 0 0 0

Smylie, B.C. 12 12 3 0 0 0

Kathy, Edm 11 11 0 0 0 0

Murray, Wpg 10 10 0 0 0 0

Wills, Cal 10 10 0 0 0 0

Stapler, Ham 9 9 0 0 0 0

D.Smith, Tor 9 9 0 0 0 0

Soccer (FIFA)

Yds Rush Pass Int Pts

Fenerby, Tor 12 12 3 0 0 0

Rogers, Tor 12 12 3 0 0 0

Smylie, B.C. 12 12 3 0 0 0

Kathy, Edm 11 11 0 0 0 0

Murray, Wpg 10 10 0 0 0 0

Wills, Cal 10 10 0 0 0 0

Stapler, Ham 9 9 0 0 0 0

D.Smith, Tor 9 9 0 0 0 0

Transition

Baseball

National League

HOUSTON — Agreed to terms on three-year contract with Bill Dwyer, second baseman.

MONTREAL — Reached options for 1988 in the contract of Huckle Brooks, shortstop.

SAN FRANCISCO — Reached a tentative agreement to acquire Cal Colton, a left-handed pitcher.

PHILADELPHIA — Named Woody Woodward, general manager.

PITTSBURGH — Signed Ed Threlk, general manager, to a two-year contract.

JORDAN — Reached a tentative agreement to acquire Cal Colton, a left-handed pitcher.

LEAGUE WAR — Reached a tentative agreement to acquire Cal Colton, a left-handed pitcher.

National Basketball Association

NEW YORK — Signed Trent Tucker, guard, to a two-year contract.

Football

National Football League

CLEVELAND — Released Ed McCaffrey, cornerback.

TIM BOWEN — Released Jeff Paus, linebacker.

MIAMI — Released Jeff Hayes, punter.

NEW ENGLAND — Released Alvin Liddick, defensive back.

BRUCE HARRIS — Released Jeff Hayes, punter.

PITTSBURGH — Released Rod Woodson, defensive back.

ST. LOUIS — Released Ed Scott and Dwayne Anderson, defensive backs.

DICKENS — Released Dwight Garner and Greg Gorman, running backs.

KING, HIGHT AND JOHNS, linebackers.

Hockey

TEAM CANADA — Announced it has chosen Bob MacNevin and Martin Stastny, centers, for the Olympic team.

National Hockey League

N.Y. ISLANDERS — Signed Brian Curran, defenseman, to a two-year contract.

HOCKEY LEAGUE

HARLEM GLOBETROTTERS — Signed Lynn Woodard, guard, to a two-year contract.

College

AUBURN — Announced that Jeff Burger, quarterback, and Jim Thompson, offensive tackle, have been declared ineligible for the NCAA for violating the "extra benefits" rule.

EDINBORO — Named Stan Swank women's basketball and softball coach.

GEORGIA TECH — Succeeded while Burke, defensive tackle, for at least one week for "violation of school rules."

HOUSTON — Named Mark Sells assistant men's basketball coach.

INDIANA STATE — Reinstated Larry Bush, forward, to the basketball team.

MONTREAL — Named Joseph Brown women's basketball coach and Donna Brown women's swimming coach.

NAVY — Named Pete Schaefer assistant wrestling coach.

NEW MEXICO — Don Pister, wide receiver, coach, resigned.

PURDUE — Named Howard Triche, graduate men's assistant basketball coach.

TEMPLE — James Thompson, quarterback, left football team.

UTAH — Named Chris Hill athletic director.

European Soccer

European Championships

Group 5 Qualifiers

Netherlands & Cyprus

Poland & Cyprus

Remainder matches: Nov. 11, Cyprus vs. Poland; Dec. 2, Netherlands vs. Cyprus; Dec. 16, Greece vs. Netherlands.

Group 2

Poland: Romania, Spain; 4, Austria; 4, Albania.

Remainder matches: Nov. 18, Spain vs. Albania; Austria vs. Romania.

